

DATE: November 16, 2020

AGENDA ITEM # 1

TO: Parks and Recreation Commission
FROM: Jim Sandoval, Engineering Services Director
SUBJECT: Informational Items - Park In-Lieu Fee Update

RECOMMENDATION

Receive informational update regarding Park In-Lieu Fees from Engineering Services Director James Sandoval

Attachment:

1. *Appraisal Report, Unencumbered Residential Land, Los Altos, Santa Clara County, CA* (February 13, 2020)

Initiated by:

Staff

Fiscal Impact:

Based on the attached February 13, 2020, independent real estate appraisal commissioned by the City, the fair market value of an acre of land available for purchase in the City of Los Altos is \$10.78M (\$247.50 per square foot). Staff used this appraisal to calculate an update to the existing Park In-Lieu fees from the current amount of \$77.5K/household to \$87.3K/household for single family/detached homes and from \$48.8K/household to \$55.0K/household for multi-family/attached homes. The proposed update will increase the two fees by 12.6% and 12.7%, respectively.

Currently, the Park In-Lieu Fee fund has \$5.3M. Approximately \$2M of it is budgeted to support approved projects in the 5-year CIP Budget. The remaining \$3.3M is earmarked to fund the new Community Center. However, if the City is eligible to borrow more than the \$10M it needs to fully fund the Community Center, then the \$3.3M could be freed-up for other park-related projects.

Over the next several years the City is anticipating up to \$19.8M in additional Park In-Lieu Fee revenue from pending multi-family residential development projects proposed for development. Table 1 below provides a breakdown of these pending projects.

Increasing the Park In-Lieu Fees in accordance with the appraisal's land value estimate would increase the anticipated \$19.8M in fees by an additional \$2.5M and yield approximately \$22.3M over the next several years.

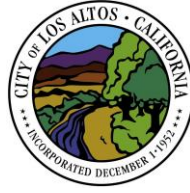


TABLE 1
Park In-Lieu Fees
Approved and Pending Multiple-Family Residential Projects: Updated August 24, 2020

Location	Status	CC Approval Date	Number of Units	Current 2019 In-Lieu Fee per Unit**	Pending Projects Anticipated Revenue	Approved Project Anticipated Revenue	Revenue Received	Payment Received Date
385-389 First St	Building Permit Submitted	7/9/2019	10	\$ 48,800	\$ 488,000	\$ 488,000	TBD	TBD
425 First St	Building Permit Submitted	6/25/2019	20	\$ 48,800	\$ 976,000	\$ 976,000	TBD	TBD
4898 El Camino Real	Approved	10/1/2019	28	\$ 48,800	\$ 1,366,400	\$ 1,366,400	TBD	TBD
5150 El Camino Real	Approved	10/22/2019	196	\$ 48,800	\$ 9,564,800	\$ 9,564,800	TBD	TBD
4856 El Camino Real	Approved	11/27/2018	50	\$ 48,800	\$ 2,440,000	\$ 2,440,000	TBD	TBD
4350 El Camino Real	In Process	N/A	47	\$ 48,800	\$ 2,293,600	N/A	TBD	TBD
4896 El Camino Real	In Process	N/A	4	\$ 48,800	\$ 195,200	N/A	TBD	TBD
376 First St	In Process	N/A	15	\$ 48,800	\$ 732,000	N/A	TBD	TBD
440 First St	In Process	N/A	4	\$ 48,800	\$ 195,200	N/A	TBD	TBD
444-450 First St	Approved	3/10/2020	27	\$ 48,800	\$ 1,317,600	\$ 1,317,600	TBD	TBD
140 Lyell Ave*	In Process	N/A	4	\$ 48,800	\$ 195,200	N/A	TBD	TBD
TOTAL			405		\$ 19,764,000	\$ 16,152,800	\$ -	

Notes:

Table does not include projects that are already under construction.

*The project is five units, but is replacing an existing unit.

**In-Lieu Fee reflects current value, not the proposed \$55K/unit value.

Purpose

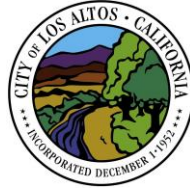
To increase Park In-Lieu Fees to reflect current fair market value of land to ensure that the fees will continue to generate sufficient funds to acquire land and construct the park and recreational facilities needed to serve new development.

Background

Park In-Lieu fees are authorized by the Quimby Act and allow cities to charge new residential development for community park land. The park land valuation calculation is based on state law parameters and formulas of three acres of park land per 1,000 residents, the value of real estate in Los Altos, and the number of residents per household. As a condition of approval of a final subdivision or parcel map, the subdivider shall dedicate land, pay a fee in-lieu thereof, or a combination of both at the option of the City, for park or recreational purposes, according to the provisions of Los Altos Municipal Code, Section 13.24.010.

Per the muni code, Park In-Lieu fees shall be used only for the purpose of providing park or recreational facilities reasonably related to serving the subdivision from which fees are collected. Fees so collected shall be used to purchase land or, if the City Council deems that there is sufficient land available for the subdivision, for improving such land for park and recreational purposes, buying equipment, or constructing improvements in neighborhood and district park and recreational facilities.

The Planning Commission shall, upon approving a tentative map, recommend the conditions necessary to comply with the requirements for park land dedication or fees in-lieu thereof as set forth in the muni code, and such conditions shall be attached as conditions of approval of the map.



Park In-Lieu fees are calculated based on the following formulas for additional units on a subject property as set forth in Section 13.24.010(D) of the muni code:

Single Family/Detached:

3 acres/1,000 residents = 0.003 acres per resident
 0.003 × 2.7 residents per household = 0.0081
 0.0081 × one acre of land, or value thereof (*i.e.*, 0.0081 × appraised value [\$] per acre)

Multiple Family/Attached:

3 acres/1,000 residents = 0.003 acres per resident
 0.003 × 1.7 residents per household = 0.0051
 0.0051 × one acre of land, or value thereof (*i.e.*, 0.0081 × appraised value [\$] per acre)

Discussion/Analysis

Pursuant to Section 13.24.010(D) of the muni code, the Public Works Director (now the Engineering Services Director) shall make an annual determination of the fair market value of the lands available for park purchase or existing park lands.

Based on the attached February 13, 2020, independent real estate appraisal commissioned by the City, the fair market value of an acre of land available for purchase in the City of Los Altos is \$10.78M (\$247.50/square foot). Staff used this appraisal to calculate an update to the Park In-Lieu, as follows:

Single Family/Detached

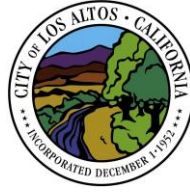
3 acres/1,000 residents = 0.003 acres per resident
 0.003 acres/resident x 2.7 residents per household = 0.0081 acres/household
 0.0081 acres/household x \$247.50/SF x 43,560 SF/acre = \$87.3K/household

Multiple Family/Attached

3 acres/1,000 residents = 0.003 acres per resident
 0.003 acres/resident x 1.7 residents per household = 0.0051 acres/household
 0.0051 acres/household x \$247.50/SF x 43,560 SF/acre = \$55.0K/household

Based on a November 28, 2018, independent real estate appraisal, the existing Park In-Lieu fees are currently set at \$77.5K for single family/detached homes and \$48.8K for multi-family/attached homes. For reference and comparison, current park land dedication/in-lieu fees of some nearby local agencies were found to be as follows:

Local Cities	Single-Family	Multiple-Family
Cupertino	\$105,000	\$54K-\$105K
Los Altos	\$87,300	\$55,000
Sunnyvale	\$80,259	\$52,533



Palo Alto	\$66,487	\$45,820
Mountain View¹	\$60,000	\$20,000
Santa Clara	\$39,882	\$32,119
Saratoga	\$32,343	\$21,562
Campbell	\$24,480	\$17,370
Los Gatos²	\$0	\$0

In addition to the Park In-Lieu Fee, new residential development in the City is also required to pay a Traffic Impact Fee (LAMC Chapter 3.48), an Affordable Housing Impact Fee (LAMC Chapter 3.49) and a Public Art Funding Fee (LAMC Chapter 3.52).

At the October 27, 2020 City Council Meeting, staff recommended that the Council move to adopt a resolution, modifying the Park In-Lieu Fees on the FY 2020/21 City of Los Altos Fee Schedule from the existing amount of \$77.5K/household to \$87.3K/household for single family/detached homes and from \$48.8K/household to \$55.0K/household for multi-family/attached homes. Staff indicated that the advantages of the recommendation are that the City’s Park In-Lieu Fees will remain in synch with existing Los Altos land values and maximize the revenue needed to provide park or recreational facilities for population increases that occur with every new housing development in Los Altos. The disadvantage conveyed to the Council was that developers will pay an additional 12.6% - 12.7% in Park In-Lieu Fees.

Due to the late hour Council Member Enander moved that the Park In-Lieu Fees item presented to them be deferred to a future meeting (date to be determined) and public notice reissued. The motion was seconded by Council Member Lee Eng and the motion passed 5-0. There was also a request for more time to understand the impacts that an increase to the Park In-Lieu Fees will have on the development of low-income housing in Los Altos.

¹ Mountain View calculates Park In-Lieu Fees on a project by project basis, typically resulting in fees established in the range of \$20,000-\$60,000 per unit.

² Los Gatos does not charge a park land dedication fee to new development because the Town already has more park land than is required under the Quimby Act.

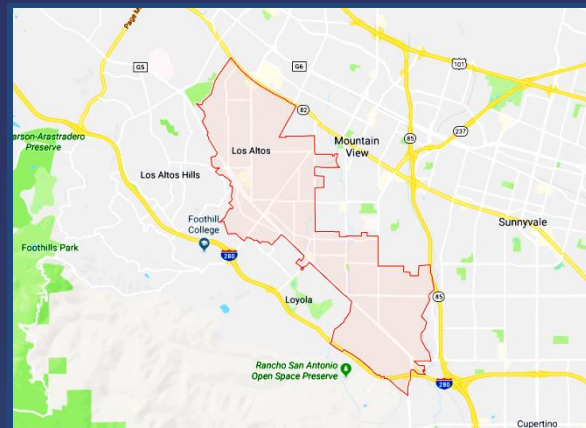


Valbridge
PROPERTY ADVISORS

Appraisal Report

Unencumbered Residential Land
Los Altos, Santa Clara County, California 94022

Report Date: February 13, 2020



FOR:

City of Los Altos
Mr. Dave Brees
1 North San Antonio Road
Los Altos, CA 94022

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February 13, 2020

Maria Aji, PhD
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Mr. Dave Brees
City of Los Altos
1 North San Antonio Road
Los Altos, CA 94022

RE: Appraisal Report
Unencumbered Residential Land
Los Altos, Santa Clara County, California 94022

Dear Mr. Brees:

In accordance with your request, we have provided appraisal consulting services regarding the range of current land values for unentitled land purchased in Los Altos for residential development. Our research and analysis is presented in this appraisal report. The attached report sets forth the most pertinent data gathered and our analysis.

We developed our analyses, opinions, and conclusions and prepared this report in conformity with the Uniform Standards of Professional Appraisal Practice (USPAP) of the Appraisal Foundation; the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute; and the requirements of our client as we understand them.

The purpose of this appraisal assignment is to develop an opinion of the market value of residential land in Los Altos. The land value range is provided in a per square foot value of the land. We are providing a range of values; the values are based on a site that is physically vacant and ready for development.

Unentitled residential land values are dependent on a variety of factors and are specific to individual properties. The range of values reported in this report are not specific to any single piece of property in Los Altos but rather reflect a range of values expected for land purchased in Los Altos that has residential development potential. The actual value for any specific property is dependent on factors such as the ease in which entitlements can be obtained, its location, school district, size, likely development density, etc. The values reported herein bracket a variety of these factors, as reflected in the current market.



The client in this assignment is City of Los Altos and the intended use of this report is the City of Los Altos and no others. The sole intended use is for setting a park-in-lieu fee. The value opinions reported herein are subject to the definitions, assumptions, limiting conditions, and certifications contained in this report.

The findings and conclusions are further contingent upon the following extraordinary assumptions and/or hypothetical conditions, the use of which might have affected the assignment results:

Extraordinary Assumptions:

- None

Hypothetical Conditions:

- None

Based on the analysis contained in the following report, our value conclusions are summarized as follows:

Value Conclusion

Component	As Is
Value Type	Market Value
Property Rights Appraised	Fee Simple
Effective Date of Value	January 28, 2020
Value Range- Single Family Residential	\$150-\$190 per sf
Value Range Multi-Family Residential	\$300-\$350 per sf

The above range reflects the value of most vacant, unentitled residential land sites within Los Altos. Most land purchased in Los Altos is for condominium and mixed-use development. The adjusted range for such land is between \$300 to \$350 per square foot, while for single family residential land is \$150 and \$190 per square foot of site area.

Respectfully submitted,
Valbridge Property Advisors | Northern California

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Introduction

Client and Intended Users of the Appraisal

The client in this assignment is the City of Los Altos and the sole intended user of this report is the City of Los Altos and no others.

Intended Use of the Appraisal

The sole intended use of this report is for setting a park-in-lieu fee.

Type and Definition of Value

The appraisal problem is to develop an opinion of the market value of the subject property. "Market Value," as used in this appraisal, is defined as "the most probable price that a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus." Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

- *Buyer and seller are typically motivated.*
- *Both parties are well informed or well advised, each acting in what they consider their own best interests;*
- *A reasonable time is allowed for exposure in the open market;*
- *Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and*
- *The price represents the normal consideration for the property sold unaffected by special or creative financing or sale concessions granted by anyone associated with the sale."*¹

The value conclusions apply to the value of the subject property under the market conditions presumed on the effective date of value.

Please refer to the Glossary in the Addenda section for additional definitions of terms used in this report.

Date of Report

The date of this report is February 13, 2020.

¹ *The Dictionary of Real Estate Appraisal*, Sixth Edition, (Appraisal Institute, 2015), 141



Special Note

Unentitled residential land values are dependent on a variety of factors and are specific to individual properties. The range of values reported in this report are not specific to any single piece of property in Los Altos but rather reflect a range of values expected for land purchased in Los Altos that has residential development potential. The actual value for any specific property is dependent on factors such as the ease in which entitlements can be obtained, its location, school district, size, likely development density, etc. The values reported herein bracket a variety of these factors, as reflected in the current market.

List of Items Requested but Not Provided

- None

Assumptions and Conditions of the Appraisal

This appraisal assignment and the opinions reported herein are subject to the General Assumptions and Limiting Conditions contained in the report and the following extraordinary assumptions and/or hypothetical conditions, the use of which might have affected the assignment results.

Extraordinary Assumptions

- None

Hypothetical Conditions

- None

Scope of Work

The elements addressed in the Scope of Work are (1) the extent to which the subject property is identified, (2) the type and extent of data researched, (3) the type and extent of analysis applied, and (4) the type of appraisal report prepared. These items are discussed as below.

Type and Extent of Data Researched

In preparation for this report, we reviewed the residential zoning designations in the city of Los Altos, as well as the application of the park in-lieu fee. We researched and analyzed regional and local economic trends, and analyzed and reported market trends relevant to Los Altos. Land sales that were purchased for residential development, located in and around Los Altos, were researched and analyzed. Adjustments were made to these sales to reflect factors such as entitlements and current market conditions, so that a current range of values for unentitled land could be concluded. These sales formed the basis for the opinions concluded in this report. The scope of work also included preparation of this report.

Appraisal Conformity and Report Type

We developed our analyses, opinions, and conclusions and prepared this report in conformity with the Uniform Standards of Professional Appraisal Practice (USPAP) of the Appraisal Foundation; the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute; and the requirements of our client as we understand them. This is an Appraisal Report as defined by the Uniform Standards of Professional Appraisal Practice under Standards Rule 2-2a.

Type and Extent of Analysis Applied (Valuation Methodology)

Appraisers develop an opinion of property value with specific appraisal procedures that reflect three distinct methods of data analysis: the cost approach, sales comparison approach, and income capitalization approach. One or more of these approaches are used in all estimations of value.

- Sales Comparison Approach - In the sales comparison approach, value is indicated by recent sales and/or listings of comparable properties in the market, with the appraiser analyzing the impact of material differences in both economic and physical elements between the subject and the comparables.
- Direct Capitalization: Land Residual Method - The land residual methodology involves estimating the residual net income to the land by deducting from total potential income the portion attributable to the improvements, assuming development of the site at its highest and best use. The residual income is capitalized at an appropriate rate, resulting in an indication of land value.
- Direct Capitalization: Ground Rent Capitalization - A market derived capitalization rate is applied to the net income resulting from a ground lease. This can represent the leased fee or fee simple interest, depending on whether the income potential is reflective of a lease in place or market rental rates.
- Yield Capitalization: Subdivision Development Method - Also known as Discounted Cash Flow Analysis (DCF), the methodology is most appropriate for land having multiple lot development in the near term as the highest and best use. The current site value is represented by



discounting the anticipated cash flow to a present value, taking into consideration all necessary costs of development, maintenance, administration, and sales throughout the absorption period.

We assessed the availability of data and applicability of each approach to value within the context of the characteristics of this valuation assignment and the needs and requirements of the client. Based on this assessment, we relied upon the sales comparison approach. Further discussion of the extent of our analysis and the methodology of each approach is provided later in the respective valuation sections.

Appraisal Conformity and Report Type

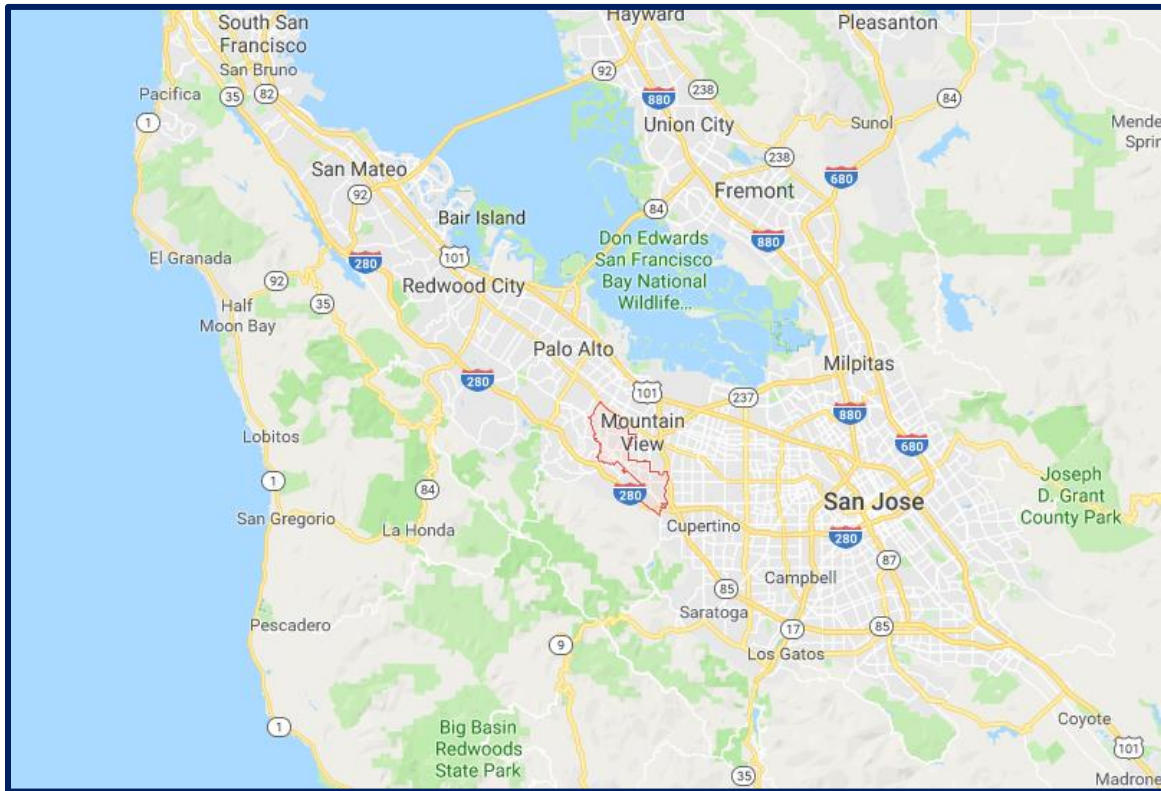
We developed our analyses, opinions, and conclusions and prepared this report in conformity with the Uniform Standards of Professional Appraisal Practice (USPAP) of the Appraisal Foundation; the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute; and the requirements of our client as we understand them. This is an Appraisal Report as defined by the Uniform Standards of Professional Appraisal Practice under Standards Rule 2-2a.

Personal Property/FF&E

All items of non-realty are excluded from this analysis. The opinion of market value developed herein is reflective of real estate only.

Regional and Market Area Analysis

REGIONAL MAP



Overview

The subject property is located in the San Francisco Bay Region, an area which is comprised of the nine counties bordering the San Francisco Bay. According to the State of California Department of Finance, the area had a combined population of approximately 7.78 million as of January 1, 2019 (most recent available). The Department of Finance characterizes the San Francisco Bay Area by a moderate climate, diversified economy and one of the highest standards of living in the United States.

Population

Santa Clara County is the most populous of the nine counties comprising the San Francisco Bay Region, with an estimated 1,954,286 residents as of January 1, 2019 according to the State of California Department of Finance. This was a decrease of 0.12% from the previous year. San Jose is the largest city in the county and the third largest in California, surpassing San Francisco.

According to the Site to Do Business projections, presented on the following page, the county's population is expected to increase annually 0.9% between 2019 and 2024, while Los Altos will increase approximately 0.6% annually over the same period.

Population

Area	2000	2010	Annual % Change 2000 - 10	Estimated 2019	Projected 2024	Annual % Change 2019 - 24
United States	281,421,906	308,745,538	1.0%	332,417,793	345,487,602	0.8%
California	33,871,648	37,253,956	1.0%	39,813,541	41,166,386	0.7%
Santa Clara County	1,682,585	1,781,642	0.6%	1,948,407	2,036,204	0.9%
Los Altos	28,137	29,001	0.3%	31,026	31,977	0.6%

Source: Site-to-Do-Business (STDB Online)

Transportation

Excellent transportation routes and linkages to all major cities within the region and throughout the state are primary reasons for the advancement of business activity in the Bay Area, including Santa Clara County.



Air service in the area is provided by Norman Y. Mineta San Jose International Airport, which accommodated over 14.3 million passengers in 2018. San Francisco and Oakland airports are also within an hour's drive from most portions of the county. In 2010, San Jose International Airport completed the first phase of a two-phase expansion with the goal of increasing service to 17.3 million travelers a year, at a cost of \$1.3 billion. Planning for the second phase, nine additional gates and a new concourse extension at the south end of Terminal B, began early in 2018.

The area has a well-developed freeway system although traffic congestion is unquestionably one of the negative aspects. The county's transportation network also includes multiple expressways, which provide streamlined access to most interior locations. Lawrence Expressway, San Tomas Expressway and Foothill Expressway run north-south, while Central Expressway and Montague Expressway run roughly east-west.

Employment

High-technology employment and a skilled workforce translate into relatively high-income levels, and Santa Clara County is one of the most affluent metropolitan regions in the nation. Silicon Valley's economy is stable, although its narrow range of driving industries has kept recent growth very slow.

Significant employment sectors within Santa Clara County include manufacturing; professional, scientific, and technical services; health care; retail; and educational services. Some of the largest employers are associated with the computer industry such as Adobe, Apple, AMD, and Hewlett-Packard; hospitals such as the VA Medical Center, Kaiser Permanente, and the San Jose Medical Center; space and aerotech including NASA and Lockheed Martin; and educational facilities such as San Jose State University and Stanford University School of Medicine.

Employment by Industry - Santa Clara County

Industry	2019 Estimate	Percent of Employment
Agriculture/Mining	5,119	0.50%
Construction	57,329	5.60%
Manufacturing	166,867	16.30%
Wholesale trade	19,451	1.90%
Retail trade	83,946	8.20%
Transportation/Utilities	32,759	3.20%
Information	50,163	4.90%
Finance/Insurance/Real Estate Services	49,139	4.80%
Services	531,314	51.90%
Public Administration	25,593	2.50%
Total	1,023,726	100.0%

Source: Site-to-Do-Business (STDB Online)

Unemployment

The unemployment rate in Santa Clara County is currently less than the rates of the state and nation. The County unemployment rate was 2.3% as of November 2019 (most recent available). The State of California was at 3.9% while the Nation was at 3.5% for the same time period. Unemployment rates locally and nationwide have been on a decreasing trend over the last several years, as shown in the table below.

Unemployment Rates

Area	YE 2012	YE 2013	YE 2014	YE 2015	YE 2016	YE 2017	YE 2018	YTD 2019
United States	7.9%	6.7%	5.6%	5.0%	4.7%	4.1%	3.9%	3.5%
California	9.7%	8.3%	6.9%	5.7%	5.3%	4.4%	4.1%	3.9%
Santa Clara County	7.0%	5.5%	4.3%	3.7%	3.4%	2.7%	2.4%	2.3%
Los Altos	4.6%	3.6%	2.8%	2.4%	3.1%	2.7%	2.2%	2.1%

Source: Bureau of Labor Statistics - Year End - National & State Seasonally Adjusted

The information below was obtained from the "UCLA Anderson Forecast for the Nation: December 2019 Report," presented by the UCLA Anderson School of Management.

National Economic Overview

UCLA Anderson Forecast lightened its 2020 outlook at the end of 2019. Instead of predicting 1% real growth for 2020, growth is now expected to be at 1.7% on a fourth-quarter-to-fourth-quarter basis. Senior economist David Shulman warns, though, that although at a reduced level from the previous warning, the second half of 2020 is still at risk of recession. Some of the economic risks are described below.

"After going on a separate track from business investment, we forecast a slowdown in consumer spending, largely coming from much weaker automobile sales as credit tightens in that sector," writes Shulman.



The interest rate environment (aside from auto credit) is expected to remain stable, but economic performance has diverged as strong consumer spending has masked weakness in business investment. This comes as a surprise to economic experts as the 2017 Tax Act was expected to spur spending on capital improvements. After a close look at the data, analysts are sounding the alarm to proceed with caution.

Some economists, however, are still optimistic and resolve to take the GDP's growth at face value while taking a wait-and-see approach regarding the effects of trade issues and tax cuts. Job growth has trended upward over the last several years but is expected to slow down in 2020, especially with the closure of retail chains unable to compete with e-commerce. Inflation is anticipated to rise modestly above 2%.

In commercial real estate, the success of e-commerce has shifted demand toward industrial space, yielding increased rents and new construction in this sector. Schulman writes, "E-commerce has accounted for 34% of the growth in the addressable market since 1999 and an astounding 47% of the growth in the five years ending in the fourth quarter of 2018." This changing demand presents an uncertain future for brick and mortar retail.

In more news at the end of 2019, Boeing announced that it will halt production of its 737 Max airplanes after catastrophic crashes. Boeing is the largest U.S. exporter, and the freeze will affect manufacturers both domestically and internationally. Some economists are predicting layoffs at Boeing and among its suppliers if the production halt lasts beyond the first quarter. This is one more potential cause of a drop in GDP growth, by as much as 0.5% in the first quarter of 2020.

Another indicator of a slowing economy is slowing housing activity. Although the number of housing starts doubled from 600,000 to approximately 1.2 million in the past several years, housing activity has yet to reach the normalized value of 1.4-1.5 million. Even with a significant drop in rates, housing activity has stalled at 1.2 million, but 2021 may offer a recovery.

Federal Funds Rate

In an effort to maximize employment and stabilize inflation, the Federal Reserve Bank raised the federal funds rate ten times from 2015, when interest rates were almost zero, to 2018. The table to the right summarizes the previous ten rate changes occurring over the past five years. The Fed had consistently been increasing by 25 basis points. The rate was raised twice in 2015, once in 2016, three times in 2017, and four times in 2018. Then in August 2019, the Fed lowered its rate for the first time in a decade. Two more decreases came in September and October.

"In light of the implications of global developments for the economic outlook as well as muted inflation pressures, the Committee decided to lower the target range for the federal funds rate to 1.25% - 1.75%," the Federal Open Market Committee said in a press release dated October 30, 2019.

Federal Funds Rate		
Date	Target Range (%)	Basis Point Change
15-Dec	0.25% - 0.50%	+25
16-Dec	0.50% - 0.75%	+25
17-Mar	0.75% - 1.00%	+25
17-Jun	1.00% - 1.25%	+25
17-Dec	1.25% - 1.50%	+25
18-Mar	1.50% - 1.75%	+25
18-Jun	1.75% - 2.00%	+25
18-Sep	2.00% - 2.25%	+25
18-Dec	2.25% - 2.50%	+25
19-Aug	2.00% - 2.25%	-25
19-Sep	1.75% - 2.00%	-25
19-Oct	1.50% - 1.75%	-25

Lowering interest rates is the Fed's main way to boost the economy, so many are asking why the rate was decreased while things are still in good shape in the United States. Top Fed officials are defending the move as an "insurance cut" to counteract the negative effects of the intensifying trade war. The rate cuts were made to maintain the economic expansion the United States economy is still enjoying.

The California Forecast

The California economy is still growing at a faster rate relative to the rest of the nation, however, its growth is still slowing down. UCLA Anderson Forecast Director Jerry Nickelsburg posits that this is in part because unemployment rates in California are very low.

Therefore, it follows that the rate of hiring should slow down," Nickelsburg writes, "Through April of this year, that had not happened. Indeed, the rate of hiring for non-farm payroll jobs increased by 0.2 percentage points from 2018's hiring rate. At some point, capacity constraints become binding, and with the October job numbers in place, there are indications that [the slowdown in hiring] has occurred."

California is forecasted to incur employment growth rates of 0.9% and 1.3% in 2020 and 2021, respectively. Nickelsburg also writes that weakness in homebuilding, even with looser regulations and more flexible zoning, means that the prospect of the private sector solving California's housing crisis over the next three years is slim to none.

Median Household Income

In Santa Clara County, San Jose, the county seat, ranks first out of the entire nation in terms of median household income for major metropolitan areas. San Francisco, about 50 miles to the north of San Jose, also ranked as one of the wealthiest cities in the nation: it holds the number two spot with a median household income of about 9% less than San Jose.

Total median household income for the region is presented in the following table. Overall, the subject compares favorably to the state and the country.

Median Household Income

Area	Estimated 2019	Projected 2024	Annual % Change 2019 - 24
United States	\$60,548	\$69,180	2.9%
California	\$74,520	\$86,333	3.2%
Santa Clara County	\$120,756	\$141,095	3.4%
Los Altos	\$200,001	\$200,001	0.0%

Source: Site-to-Do-Business (STDB Online)

Conclusions

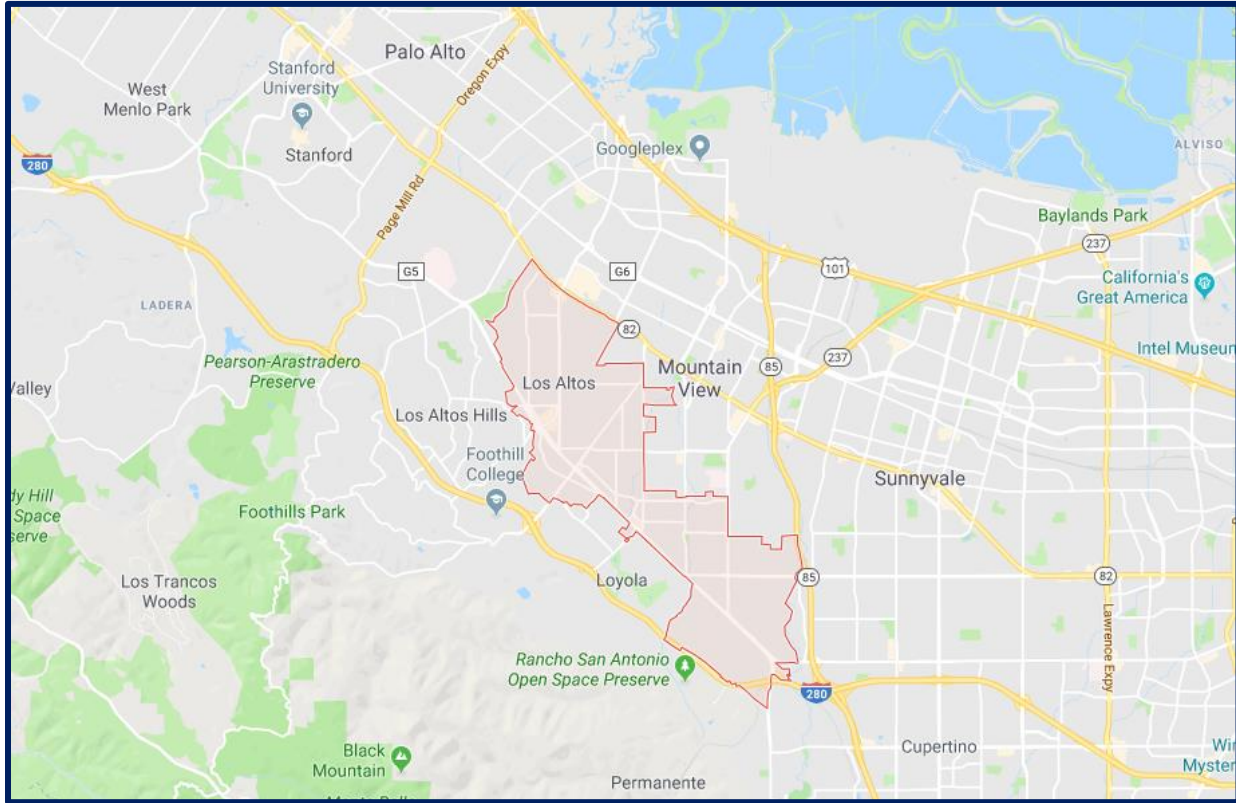
Historically, the Santa Clara County region has been considered a desirable place to both live and work. Physical features and a strong local economy attract both businesses and residents. It is a worldwide leader in technology and a regional employment center, with an increasingly diversified economy. While traffic congestion will continue to be a problem, residents remain among the most affluent in the country.



Nationwide, we are in a period marked by volatility in American politics. Nonetheless, the nation has experienced real growth and modest inflation in the current economic cycle. Although the economy is operating at or close to full employment, the Fed has lowered interest rates in an effort to maintain growth patterns. The current political environment creates a degree of uncertainty, however, in the long-term economic forecast. In the near term, 2020 is expected to be prosperous, even if at a slower pace than recent years.

City and Neighborhood Analysis

NEIGHBORHOOD MAP



Incorporated in December 1952, the City of Los Altos is a relatively small, suburban community. Located 37 miles south of San Francisco and 16 miles northwest of San Jose, the city encompasses seven square miles and is bordered by Los Altos Hills, Palo Alto, Mountain View, Sunnyvale, and Cupertino. Los Altos is a General Law City, with five elected council members serving four-year terms. The city's climate is considered Mediterranean with average temperatures ranging from a low of 37.5 to a high of 83.9 degrees and a mean average yearly rainfall of 17.47 inches. Los Altos is a desirable upscale community with tree-lined streets and high-quality public schools.

Situated in the western portion of Santa Clara County, Los Altos has excellent access to local and regional transportation networks. It is home to numerous recreational and shopping opportunities. Annual events include Los Altos Kiwanis Club Pet Parade, Los Altos Rotary Club Fine Art Show, Downtown Los Altos Arts and Wine Festival, Los Altos Fall Festival, and Festival of Lights Parade.

The City is known for its exceptional schools. As ranked by California's Academic Performance Index, all eight schools, six elementary and two junior-high, in the Los Altos School District are among the top 1% of schools in the state. The vast majority of kindergarten through eighth grade students in Los Altos and Los Altos Hills are served by the Los Altos School District. Serving students in grades nine through twelve from Los Altos, Los Altos Hills, and Mountain View is the Mountain View-Los Altos Union High School District. Students residing in the most southern portion of Los Altos attend an elementary and junior high school located in the highly desirable Cupertino Union School District. With



Foothill College located in nearby Los Altos Hills, Los Altos is within a short distance of numerous colleges and universities including De Anza as well as Mission Colleges along with San Jose State, Santa Clara, and Stanford Universities.

Residential Market Overview

The Bay Area residential market has historically experienced demand and value levels amongst the strongest in the nation. From 2012 to 2018, prices have steadily increased as the economy has fully recovered from the recession and tech companies in the Bay Area continue to pay top dollar for top talent. In late 2018 and early 2019, some cooling was noted in the market, however, prices remain stable.

The strength in for-sale and rental housing is also fueling an increase in demand for land suitable for residential development. Land values have increased significantly over the past few years, as higher sale prices and rents make development both feasible and profitable. An overview of the various residential markets is provided below and on the following pages.

Santa Clara County and Los Altos For-Sale Market

Residential land values are directly tied to supply and demand of current housing product. Land values vary depending on location, size, permitted uses, and allowable density. Due to the limited number of true land sales, it is difficult to infer meaningful data from sales statistics in this category. However, with the prices of homes going up, land prices have also experienced a notable upward trend over the past years. The Bay Area and Santa Clara County are both experiencing explosive growth, in large part due to the various tech companies located in the area, and thus, these areas command some of the highest home prices in the region. Prices are expected to continue to increase over the next year at slower rates, which puts upward pressure on land values.

The Bay Area marketplace has historically been characterized as among the most expensive housing markets in the nation. The following table highlights median prices for both detached and attached housing within the City of Los Altos and Santa Clara County, as reported by the local Multiple Listing Service.

HISTORICAL MEDIAN SINGLE FAMILY & CONDOMINIUM HOUSING PRICES

		City of Los Altos & County of Santa Clara					
		2017	2018	2019	2016-2017 % change	2017-2018 % change	2018-2019 % change
SFR	Los Altos	\$3,018,631	\$3,400,000	\$3,288,000	11.39%	12.63%	-3.29%
	County	\$1,170,988	\$1,330,000	\$1,255,000	15.37%	13.58%	-5.64%
Condo	Los Altos	\$1,465,000	\$1,600,000	\$1,619,444	-0.34%	9.22%	1.22%
	County	\$635,000	\$765,000	\$720,000	9.48%	20.47%	-5.88%
Town Home	Los Altos	\$1,862,000	\$1,950,000	\$1,685,000	32.06%	4.73%	-13.59%
	County	\$900,000	\$1,099,535	\$953,500	13.21%	22.17%	-13.28%

The preceding table shows a decrease in single-family home and townhome prices over the past year for both the City of Los Altos and the County as a whole, after increases in almost all areas the two years before. We note, however, that the home price decline was not as less significant than the decline experienced in the County as a whole. We also note that the price of condos increased in Los Altos, while

it declined in the County as a whole. Higher density condominium development is the preferred type of development at present, both in Los Altos as well as in the Bay Area as a whole, especially in downtown areas.

This home price decline could very well signify that we have reached the top of this cycle and are flattening out, especially as home prices have reached a point that is unattainable for all but a few in this area. It can also mean a shift in people's preferences, from Single Family Homes towards more compact, downtown living. However, as is discussed below, while the for-sale market segment is tightening, the multi-family rental market continues to be strong.

Los Altos Multi-Family Overview

Below is Fourth Quarter 2019 Multifamily market information published by CoStar Analytics.

The Mountain View/Los Altos submarket is home to some of the area's largest employers, including Google, Intuit, and Microsoft. This concentration of employers and jobs has led to strong demand for housing, especially multifamily units. Developers have responded to the demand, adding more than 1,500 units to the submarket since 2010. New construction projects continue to break ground, with even more projects on the horizon in the next few years. Sales activity has been moderate in the submarket. Most transactions taking place in value-add deals in the older stock of inventory.

KEY INDICATORS							
Current Quarter	Units	Vacancy Rate	Asking Rent	Effective Rent	Absorption Units	Delivered Units	Under Constr Units
4 & 5 Star	2,023	13.8%	\$4,383	\$4,330	5	0	802
3 Star	4,084	4.5%	\$3,149	\$3,135	(3)	0	415
1 & 2 Star	7,143	3.7%	\$2,339	\$2,326	(1)	0	0
Submarket	13,250	5.5%	\$3,092	\$3,069	1	0	1,217
Annual Trends	12 Month	Historical Average	Forecast Average	Peak	When	Trough	When
Vacancy Change (YOY)	0.8%	4.6%	5.9%	6.5%	2013 Q1	2.0%	2000 Q2
Absorption Units	53	66	268	513	2017 Q3	(361)	2001 Q4
Delivered Units	204	96	316	567	2017 Q3	0	2019 Q2
Demolished Units	34	7	11	74	2014 Q4	0	2019 Q3
Asking Rent Growth (YOY)	1.1%	2.1%	1.1%	22.4%	2001 Q1	-13.3%	2002 Q3
Effective Rent Growth (YOY)	1.3%	2.0%	1.1%	22.4%	2001 Q1	-13.5%	2002 Q3
Sales Volume	\$311 M	\$81.5M	N/A	\$317.4M	2019 Q3	\$5.6M	2010 Q4

Source: Costar

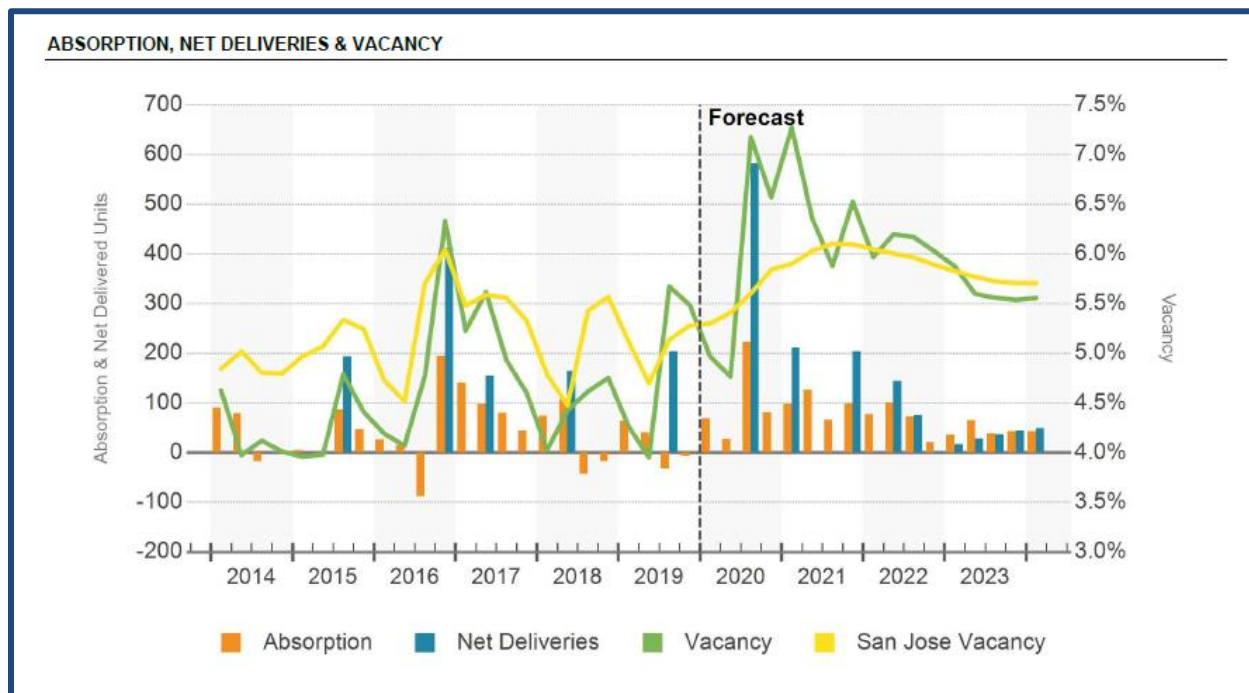
Vacancy

The Mountain View/Los Altos sub-market is a desirable one at the center of one of the world's hottest economies. Developers have responded to the demand, with new constructing surging since 2013. Since that time, eight significant developments, each with an average of more the 200 units, have been completed.

Demand for the new apartment stock has been robust, and submarket vacancy registers just 5.5% despite the supply additions. Two of the metros employers, Google and LinkedIn, have a major presence in the submarket. Population growth has also helped drive demand for apartments, with the submarket adding around 10,000 residents since 2010, amounting to growth of nearly 10%.

With single-family home prices in Mountain View/Los Altos among the highest in the metro, well over \$1 million on average, even highly paid tech employees will find it challenging to buy a home. As a result, transitioning to homeownership should not be a significant drag on near-term apartment demand.

Development activity is set to continue in the submarket, as the City of Mountain View has finalized plans for its North Bayshore where nearly 10,000 homes and apartments, and 3.6 million square feet of office space are slated for development through 2030. The new neighborhoods in the North Bayshore will be dense - apartment buildings will be as tall as 15 stories, and the city has targeted 70 percent of the units for studio or one-bedroom apartments. Google owns slightly more than half of the land slated for residential development. Development timelines have not been set.



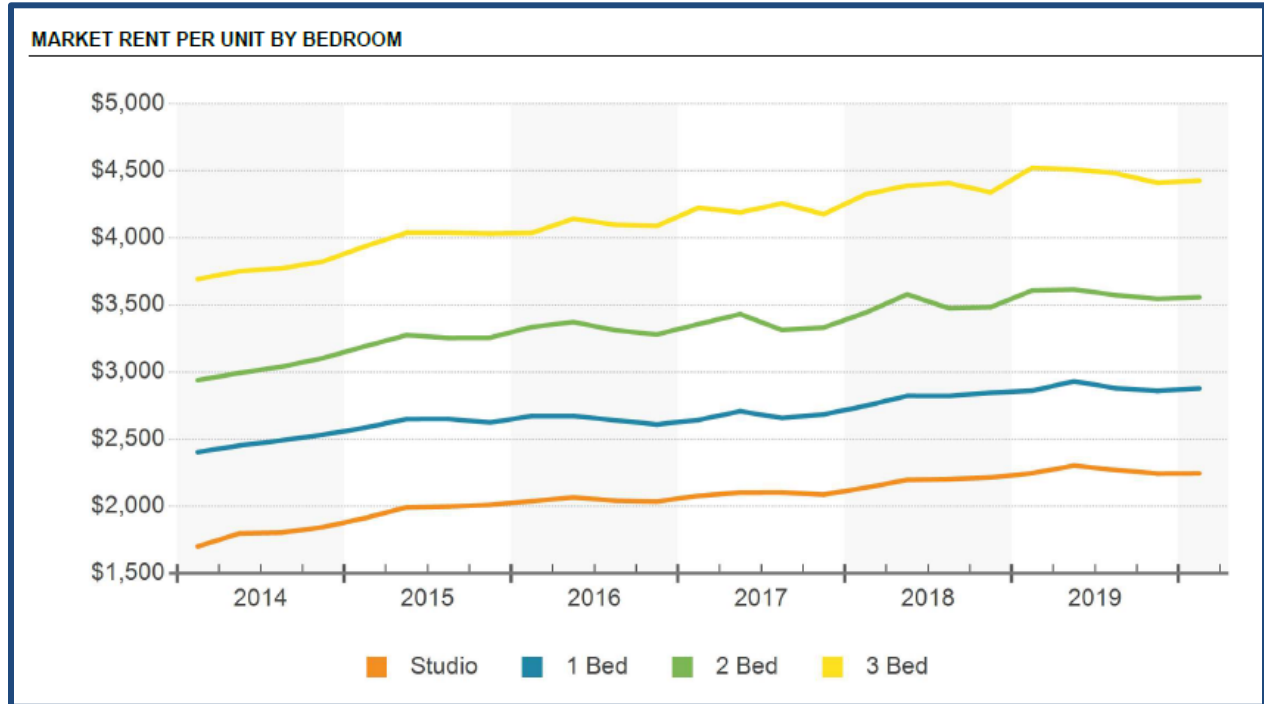
Source: CoStar

Rent

Apartment rents in the submarket come at a premium due to the submarket's central location in Silicon Valley and proximity to the office headquarters of leading technology firms. Apartment rents average \$3,090/unit, more than 10% above the San Jose market average.

Demand is strong in Mountain View and Los Altos, as apartments in the submarket command high rents, despite being of older and lower quality. Only around 15% of the submarket's apartment stock is rated 4 & 5-star quality, compared to 30% in the broader market. This may explain why average rent levels are lower in Mountain View than in neighboring Cupertino, where around a quarter of units are 4- & 5-Star.

Units in 4- & 5-Star buildings rent for a significant premium over 1- & 2-Star units. For newly constructed buildings, rents are especially high - average asking rents in buildings delivered since 2013 range from \$4,000 to \$5,000/month.



Source: CoStar

Construction

As mentioned previously, developers have responded to the tight market conditions in Mountain View/Los Altos with a surge in construction and have delivered 1,500 units since 2013. More units are set to come online in the next few years, roughly 1,200 units are currently being built. Other areas of the metro area are adding even more units, and more units as a percentage of their total inventory, than this submarket.

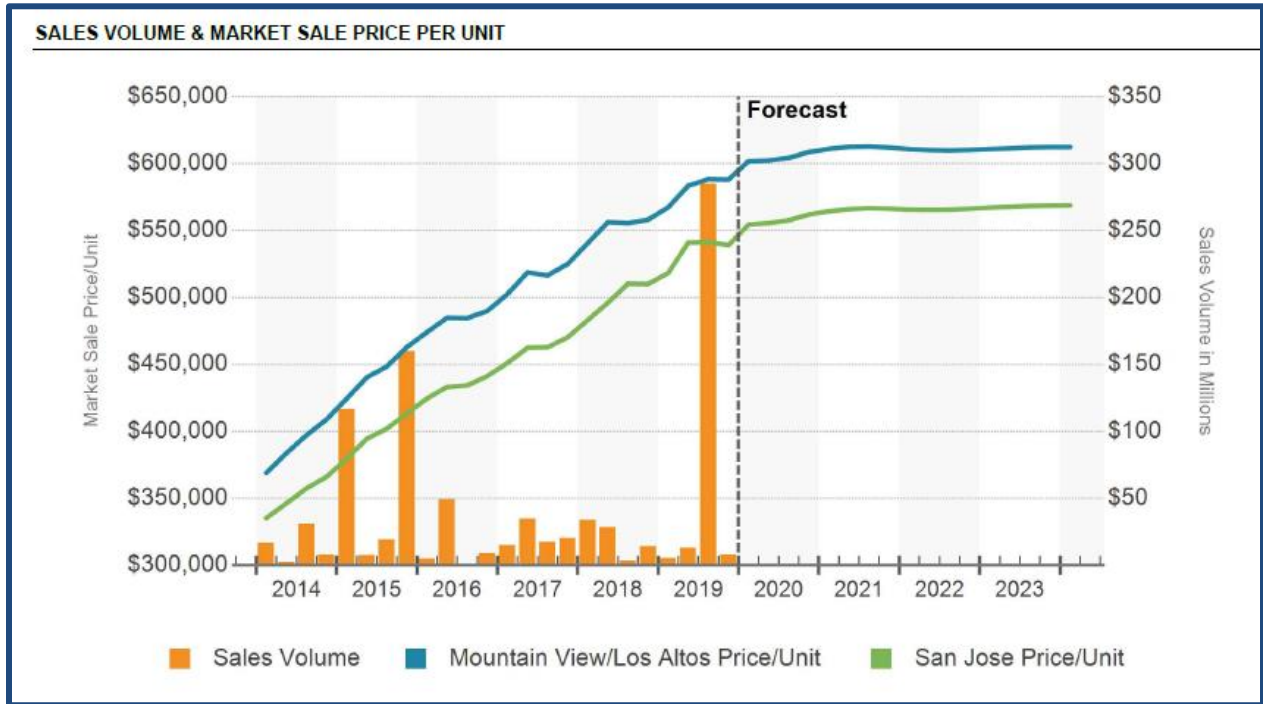
Between Mountain View and Los Altos, construction is primarily taking place in Mountain View, which makes up most of the submarket with a population of around 80,000. Los Altos, which is smaller with a population of about 30,000, also has much more restrictive zoning. The city has added just 325 units since 2009, the most recent being Colonnade, a 167-unit 4 Star building that shows the difficulty that employers may face in retaining their workforces in the face of the area's housing crunch. To secure housing, Stanford University has preleased the entire complex and plans to rent the apartments to faculty.

Sales

High rents and steady rent growth due to strong demand in this submarket have resulted in some of the highest pricing in the metro. Pricing for Mountain View/Los Altos multifamily assets average roughly \$600,000, which trails only a few other submarkets in this metro, such as Palo Alto.

Ownership turnover in Mountain View/Los Altos is slow in comparison to surrounding areas. The submarket contains nearly 30 apartment properties of over 100 units, and only six of those have changed hands since the '90s.

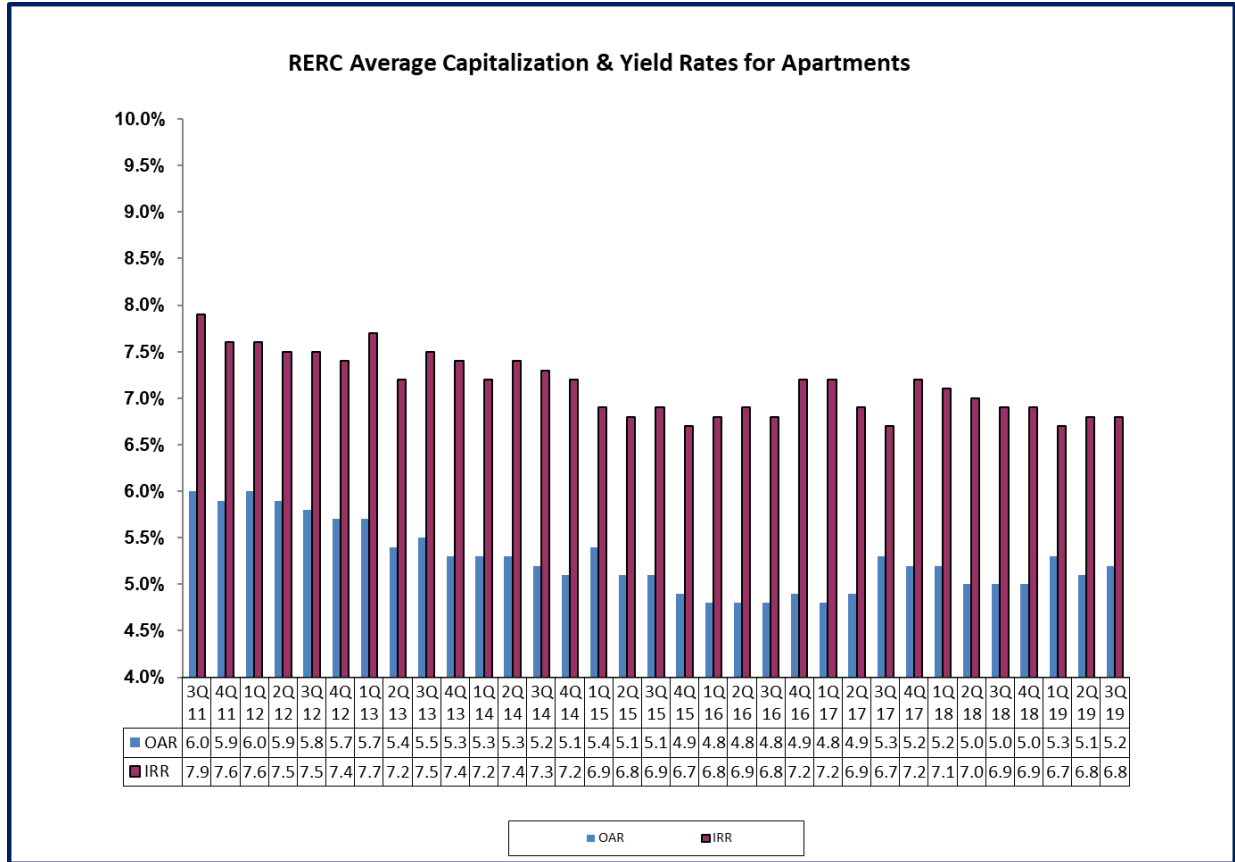
Lower-end properties have sold more often in the past few years. These smaller assets, often built in the 1960s, have commanded pricing in the \$400,000/unit range. Many older properties in the area are ripe for value-add investment.



Source: CoStar

Capitalization & Yield Rate Trends

We have also considered the historical average capitalization and yield rates for apartment properties over the last five years, as reported by the Real Estate Research Corp. ("RERC") and CoStar Analytics. The historical rates are illustrated in the following table noted on the following page.



Rates have been falling, albeit not consistently, since 2009. In the 3rd quarter 2011, the average cap rate was about 6.0% and the average yield rate was about 7.9%. Since then, rates have decreased significantly. The average cap rate as of the Third Quarter of 2019 was 5.2% and the average yield rate was 6.8%.

Land Market Overview

Residential land values are directly tied to supply and demand of current housing product. Land values vary depending on location, size, permitted uses, and allowable density. Unfortunately, there are no meaningful statistics for residential land values in Santa Clara County and the subject’s submarket of Los Altos. However, with the prices of homes going up, land prices have also experienced a notable upward trend over the past years. The Bay Area and Santa Clara County are both experiencing growth, in large part due to the various tech companies located in the area, and, thus, these areas command some of the highest home prices in the region. While home prices appear to be stabilizing at present, they are expected to continue to increase over the next year, which puts upward pressure on land values.

Residential land is typically purchased contingent on project approval or with entitlements (tentative or final map) in place. When contingent upon approvals, the risk to a developer is significantly reduced, putting upward pressure on the price. Prices for land purchased without this contingency are typically lower than for land purchased on a contingency. The price differential is especially large as the risk increases. We note that citizen participation in planning activities is very high in certain municipalities; thus, the approval process for residential projects can become political, long and arduous. It is not uncommon for new projects to take three to four years for development approval.



The Bay Area and Santa Clara County residential land market has been very active over the past two years. Several land transactions took place, many of which had short escrows without a tentative map approval contingency. The real estate brokers we spoke with indicated that marketing periods for these sales were short, and some properties had multiple offers, which resulted in contract prices that were at or above the asking rate. However, most of the sales that are currently taking place are sales of subdivision land suitable for medium- and high-density residential development.

We note that the Los Altos residential market is not very active and there have been only a couple of recent sales in Los Altos. Most of these properties were improved sites, where the improvements contributed limited to no value to the land and the intention was to redevelop the sites. Many sales in the area are for mixed-use development, along the El Camino Real corridor. We were only able to find a handful of new sales for townhome, condo or single-family residential development to base our value conclusions and we have, thus, expanded our research to other nearby cities.

Buyer types range from the individual developer to the large-scale national housing developer, depending on the size of the site. Well-located, small sites are still in demand from small local buyers, while national builders are very actively seeking land sites that are over three acres in size. If a property has easy access, no topographic or geologic issues, and has infrastructure available, the property will be in higher demand. In addition, higher density land for affordable developments is exhibiting equal demand than for-sale housing at this time.

Residential land in Santa Clara County sells in the \$80-to-\$500+-per-square-foot range. The upper end of the range is indicated by urban markets such as downtown San Jose or in markets with major high-technology employers such as Palo Alto/ Menlo Park (headquarters of Facebook), Cupertino (headquarters of Apple), and Mountain View (headquarters of Google). These markets, easily accessible and usually fronting more than one major freeway benefit from excellent access and are proximate to both demand as well as employment generators.

Oftentimes, residential land is valued on the basis of price per unit as opposed to price per square foot, particularly for entitled sites. High-density residential land throughout the Bay Area currently ranges between \$75,000 up to \$500,000+ per unit. The higher end of this range is indicative of primary markets or "A" locations within Santa Clara and San Mateo County. The "B" locations, which are usually proximate to employment centers, in San Jose, Santa Clara, Milpitas, generally range from \$75,000 to over \$180,000 per unit. According to our survey of market participants, Los Altos is considered to be an "A" type location given its proximity to employment centers, natural setting and the reputation of the school district.

Market Summary/Conclusions

In summary, the residential market continues to be strong, with value increases evident in the for-sale, rental and land markets. Palo Alto, Los Altos and Mountain View are more expensive locations as compared to Sunnyvale, Santa Clara and San Jose. All else being equal, land values track home values and rents although not necessarily in the same proportion. Land values of sites with entitlements are higher than those without entitlements due to the level of risk involved in obtaining entitlements. Many times, a buyer will agree to purchase a site contingent on receiving entitlements, then proceed with obtaining the entitlements, and finally close escrow only after the entitlements are secured. Again, this reduces risk to a developer/buyer and puts upward pressure on the purchase price. These factors are considered in our analysis.

Park in Lieu Fee

According to Section 13.24.010 of the Los Altos Municipal Code, as a condition of approval of a final subdivision or parcel map, the subdivider shall dedicate land, pay a fee in lieu thereof, or a combination of both at the option of the city, for park or recreational purposes. The planning commission shall, upon approving a tentative map, recommend the conditions necessary to comply with the requirements for park land dedication or fees in lieu thereof as set forth in this section, and such conditions shall be attached as conditions of approval of the map. Table B-44, reproduced below, presents the current Park Land Dedication in-Lieu Fees.

According to our client, the City of Los Altos recently raised the Park Land Dedication In-Lieu Fees. The current fees are \$77,500 for single family residential units and \$48,000 for multiple family residential units. This is a significant (35%+) increase from the previous 2014 fee structure but is a result of increasing land values in Los Altos and the Bay Area in general.

Since the fee for both subdivisions and multifamily rental housing is based on the fair market value of the land that otherwise would have been required, the fee is based on the value of land that is purchased for residential development, not for commercial or industrial development. As this report will be used to establish the park in-lieu fee, the most appropriate land sales to research and analyze, therefore, are those for residential development.

We note, however, that most of the projects that are currently approved are for mixed use projects that contain a retail component alongside the residential component. The retail component often represents a small portion of the development, and the value is created by the residential component. There have been cases, however, that the residential is only a small portion of the larger development. This element will be considered in our analysis.

Land Valuation

Introduction

The estimation of market value involves a systematic process in which the problem is defined and the data required is gathered, analyzed, and interpreted into an estimate of value. The best way to estimate the value required for this report is to research and analyze actual sales of residential land, both land for low density as well as higher density projects. These sales can then provide a range of value for residential land in Los Altos. This method is known as the Sales Comparison Approach.

Sales Comparison Approach

The most common way of valuing land is the Sales Comparison Approach, in which recent sales or offerings of vacant land are gathered and analyzed. Typically, the values indicated by the comparable transactions are reduced to a unit of comparison, such as sale price per square foot of land area. This is the most common unit of analysis for unentitled land, where the number of units to be constructed on a site is unknown.

In a typical appraisal, each comparable sale is adjusted to the subject for differences in market conditions, sale conditions, location, physical characteristics, zoning, or other significant differences. For this assignment, however, there is no single subject property. The purpose of this assignment is to provide a range of values for unentitled, residential land in Los Altos. The values reported herein, therefore, bracket a variety of the factors mentioned above, as reflected in the current market.

Analysis of Los Altos Residential Land Sales

An investigation was made of recent sales of unentitled, residential land located in Los Altos. As noted earlier, however, residential land is typically sold contingent on project entitlements. Sites sold with this contingency sell at higher prices than land that is sold "as is," without this contingency.

Another challenge we were presented with in our search for comparable residential land sales is that it was difficult to find "pure" residential land sales. Most cities currently require a retail component on the ground floor of high-density residential projects, especially those located along main thoroughfares or within downtown areas.

Given that we were unable to find sufficient pure residential land sales without contingencies, we included sales of sites that sold with contingencies or entitlements, but made adjustments for this factor so as to provide an appropriate range of value for unentitled land. We similarly adjusted mixed-use land sales for the ground floor commercial component, if appropriate.

The most recent sales that we were able to research and confirm are summarized in the table on the following page. We note that the Los Altos residential land market appears to be picking up, as we were able to find at least three new land sales in 2019 and three sales in 2018. We are aware of one additional offer for residential land in Los Altos. This sale is being negotiated currently. We have not included this transaction in the table as we were unable to confirm the terms of the transaction.



We have supplemented the sales located in Los Altos with additional sales located in the areas surrounding Los Altos, namely Mountain View, Palo Alto and Cupertino. After adjusting these sales for their general locations relative to Los Altos, these additional sales support the land value range indicated by the Los Altos sales. The locational adjustments are based on the medium home price and rental rates within each comparable city, as compared to the subject.

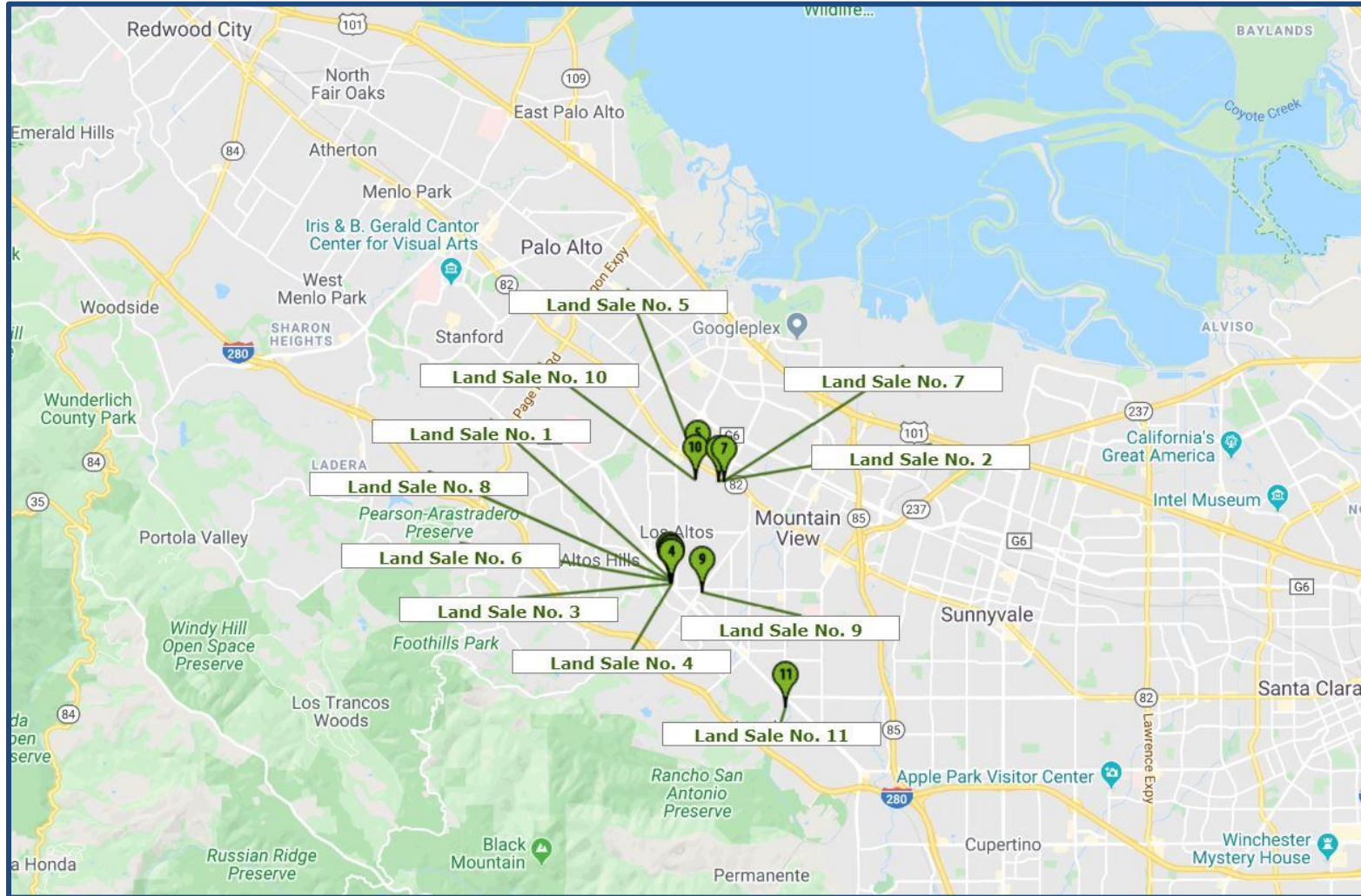
First, the sales located in Los Altos are summarized in the table on the next page, followed by a Location Map. The Los Altos sales range in size from 0.126 to 3.796 acres and before adjustment, range in price from \$127.15 to \$600.55 per square foot of land area. They represent a broad range of residential land values in Los Altos. Details of each sale follow the Location Map. As discussed, later in the report we also present and analyze additional sales from the surrounding area.



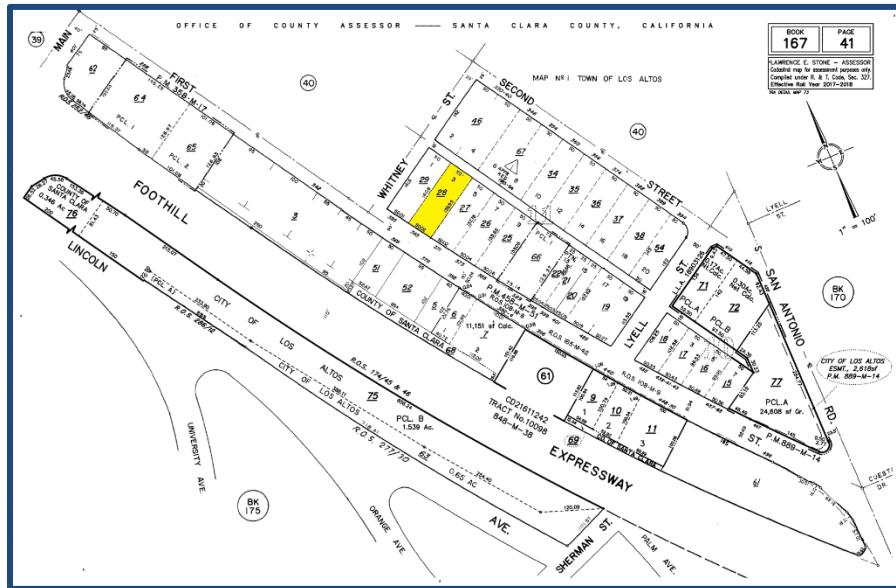
Land Sales Summary

Comp. No.	Date of Sale	Usable Acres	Location		Zoning	Proposed Use	Density Du/ac	Sales Price Actual	Per Sq. Ft.
1	October-19	0.160	365 First Street	Los Altos, California	CD/ R3	Mixed-Use Land	12.49	\$3,500,000	\$501.79
2	July-19	0.551	745 Distel Drive	Los Altos, California	OA-1CT	Multi-family Residential	N/A	\$4,700,000	\$195.83
3	June-19	0.126	440 First Street	Los Altos, California	CD/R3	Multifamily Residential	55.49	\$3,300,000	\$600.55
4	November-18	0.350	444-450 First Street	Los Altos, California	CD/R3	Condo Project	74.26	\$7,500,000	\$491.74
5	August-18	0.840	4896 El Camino Real	Los Altos, California	CT	Mixed-Use Building	33.32	\$11,700,000	\$319.67
6	June-18	0.271	425 1st Street	Los Altos, California	CD/R-3	Multi-family Residential	73.83	\$5,700,000	\$483.05
7	April-18	3.796	5150 El Camino Real	Los Altos, California	CT	Residential Development	51.63	\$48,000,000	\$290.26
8	January-17	0.224	389 1st Street	Los Altos, California	CD/R3	Hold for future redevelopment	26.81	\$3,515,000	\$360.51
9	September-17	0.650	555 S El Monte Ave	Los Altos, California		Two lot subdivision	3.08	\$3,600,000	\$127.15
10	November-16	0.550	209 Portola Court	Los Altos, California	R1-10	Two lot subdivision	3.64	\$4,500,200	\$187.84
11	February-18	0.460	961 Lundy Lane	Los Altos, California	R1	SFR Lot	N/A	\$2,960,000	\$147.72

LOS ALTOS COMPARABLE SALES MAP



LAND COMPARABLE 1



Property Identification

Property/Sale ID	10780058/1468262
Property Type	Mixed Use Land
Address	365 First Street
City, State Zip	Los Altos, California 94022
County	Santa Clara
Latitude/Longitude	37.376130/-122.116162
Tax ID	167-41-028

Transaction Data

Sale Date	October 2019	Property Rights	Fee Simple
Sale Status	Recorded	Recording Number	24370187
Grantor	Robert Perruso Trust	Sale Price	\$3,500,000
Grantee	Liem Nguyen		

Property Description

Gross Acres	0.16	Use Designation	Downtown Commercial
Gross SF	6,975	Zoning Jurisdiction	City of Los Altos
No. of Units	2	Zoning Code	CD/ R3
Density (Units/Ac)	12.49	Zoning Description	Commercial Downtown/ Multifamily Residential
Corner/Interior	Interior		
Shape	Rectangular		

Indicators

\$/Gross Acre	\$21,858,606.00	\$/Unit	\$1,750,000
\$/Gross SF	\$501.80		



Remarks

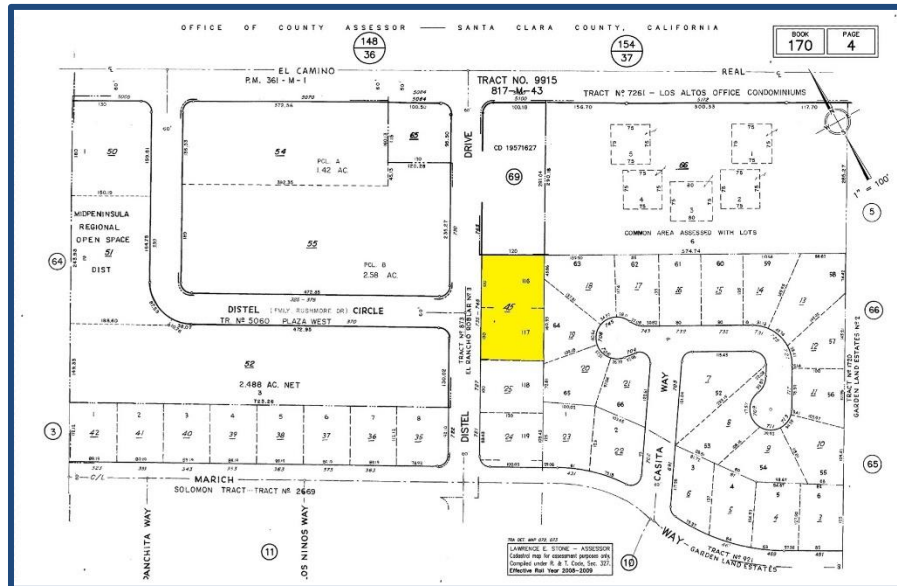
The property consists of a single parcel improved with a multi-tenant retail building located east of First Street in Downtown Los Altos. The parcel has a rectangular shape and an interior lot configuration with approximately 50 feet of frontage along First Street with a depth of 140 feet. An alley runs adjacent to the property, providing access to the site's rear parking lot, although parking is limited within the area. The site's downtown location is conveniently less than a mile from Foothill Expressway and approximately 1.5 miles from Interstate 280.

The underlying site measures approximately 6,975 square feet or 0.16 acres. Under the jurisdiction of the City of Los Altos, the property is zoned Commercial Downtown/ Multifamily Residential (CD/R3) and has a General Plan designation of Downtown Commercial. The site is surrounded by a diverse mix of retailers and single family homes.

Constructed in 1938, the retail building had below-average functional utility, significant deferred maintenance, and a dated appearance. The value, therefore, was clearly in the land, and the property was marketed as a redevelopment opportunity.

The buyer of the property is the adjacent owner who intends to assemble and redevelop the site. He is considering a mixed-use project with residential uses on upper floors. The property was listed on the market for sale at \$3,100,000 for two months and had two offers both of which were above market.

LAND COMPARABLE 2



Property Identification

Property/Sale ID	10985430/1426664
Property Type	Commercial
Address	745 Distel Drive
City, State Zip	Los Altos, California 94022
County	Santa Clara
Latitude/Longitude	37.395130/-122.103760
Tax ID	170-04-045

Transaction Data

Sale Date	July 2019	Property Rights	Fee Simple
Sale Status	Recorded	Recording Number	24241101
Grantor	Kim N. Bakke	Sale Price	\$4,700,000
Grantee	DD 5150 ECR Partners LLC		

Property Description

Gross Acres	0.55	Shape	Rectangular
Gross SF	24,000	Use Designation	Thoroughfare Commercial
No. of Units	N/A	Zoning Jurisdiction	City of Los Altos
Density (Units/Ac)	N/A	Zoning Code	OA-1CT
Corner/Interior	Interior	Zoning Description	Office Administrative

Indicators

\$/Gross Acre	\$8,530,565.00	\$/Unit	N/A
\$/Gross SF	\$195.83		

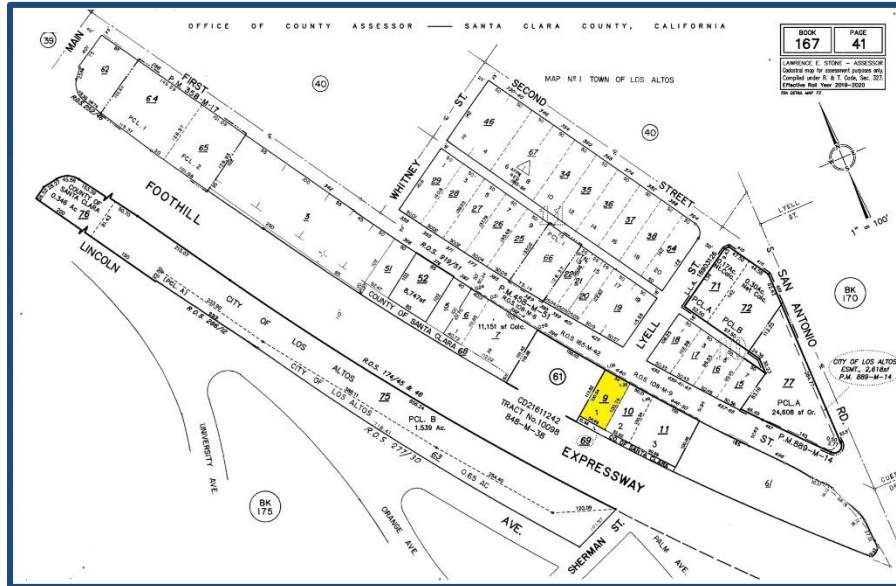


Remarks

This property consists of a single parcel improved with an office building located along the east side of Distel Drive in Los Altos. The site has a rectangular shape and a T-intersection lot configuration one parcel south of El Camino Real and across from Distel Circle. The site has approximately 200 feet of frontage along Distel Drive (with two curb cuts) and an average depth of 120 feet.

The underlying site contains 24,000 square feet or 0.55 acres. The existing improvements contain 8,676 square feet and were originally constructed circa 1963. The property zoning is Office Administrative, and the General Plan land use designation is Thoroughfare Commercial.

DD 5150 ECR Partners LLC purchased this property in July 2019 from Kim N. Bakke. This property sold for \$4,700,000 or approximately \$195.83 per square foot of land. The property sold below the asking price of \$6,500,000 and was exposed to the market for 236 days. The property sold without entitlements. There is a deed restriction limiting redevelopment to office; however, the buyer expressed interest in redeveloping the site with residential and will seek to have the deed restriction removed. The buyer also owns the adjacent parcel to the north developed with multifamily residential uses.

LAND COMPARABLE 3**Property Identification**

Property/Sale ID	10985113/1426423
Property Type	Multi-Family
Address	440 First Street
City, State Zip	Los Altos, California 94022
County	Santa Clara
Latitude/Longitude	37.374876/-122.115719
Tax ID	167-41-009

Transaction Data

Sale Date	June 2019	Property Rights	Fee Simple
Sale Status	Recorded	Recording Number	24213237
Grantor	Echerd Family Trust	Sale Price	\$3,300,000
Grantee	Bourgan Family Trust		

Property Description

Gross Acres	0.13	Use Designation	Downtown Commercial
Gross SF	5,495	Zoning Jurisdiction	City of Los Altos
No. of Units	7	Zoning Code	CD/R3
Density (Units/Ac)	55.49	Zoning Description	Commercial
Corner/Interior	Interior		Downtown/Multiple Family
Shape	Rectangular		

Indicators

\$/Gross Acre	\$26,159,334.00	\$/Unit	\$471,429
\$/Gross SF	\$600.54		

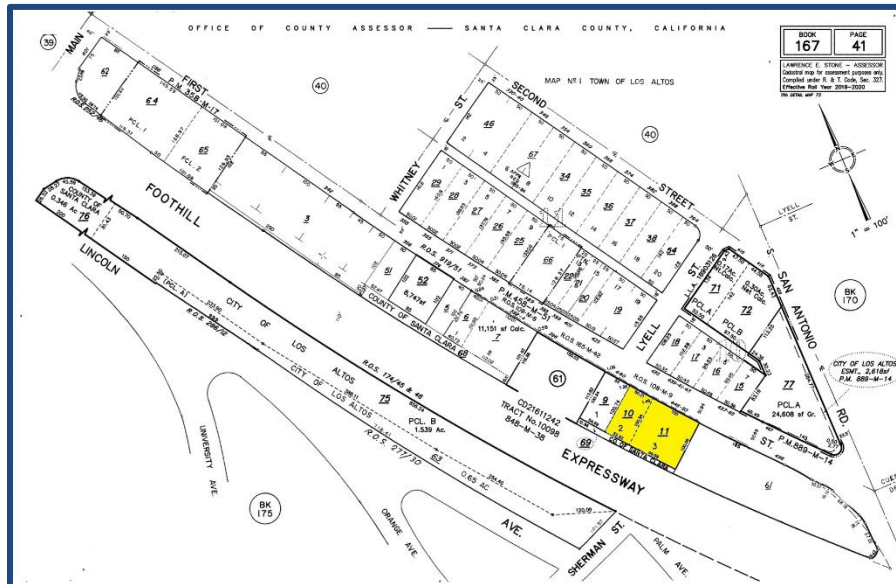


Remarks

This property consists of a parcel improved with a single-story medical office building located in downtown Los Altos. The site has a rectangular shape and an interior lot configuration with approximately 54 feet of frontage along First Street and a depth of 95 feet. The property benefits from its downtown location and nearby commercial uses.

The underlying site contains approximately 5,495 square feet or 0.13 acres. The improvements were constructed in 1980. The property is zoned Commercial Downtown/ Multiple Family, and the General Plan land use designation is Downtown Commercial.

This property sold for \$3,300,000 or approximately \$600 per square foot of land area. The buyer is a developer who intends on redeveloping the site with a residential condominium project. The buyer paid cash, and there were no entitlements in place at the time of sale. The buyer had, however, submitted plans for the development of a four-story, 7-unit, multi-family building with one level of underground parking. However, significant work was needed until project approval.

LAND COMPARABLE 4**Property Identification**

Property/Sale ID	10985111/1426420
Property Type	Multi-Family
Address	444-450 First Street
City, State Zip	Los Altos, California 94022
County	Santa Clara
Latitude/Longitude	37.374769/-122.115429
Tax ID	167-41-010 and 167-41-011

Transaction Data

Sale Date	November 2018	Property Rights	Fee Simple
Sale Status	Recorded	Recording Number	24066419
Grantor	Los Altos Fields LLC	Sale Price	\$7,500,000
Grantee	DD 1st Street Group LLC		

Property Description

Gross Acres	0.35	Use Designation	Downtown Commercial
Gross SF	15,252	Zoning Jurisdiction	City of Los Altos
No. of Units	26	Zoning Code	CD/R3
Density (Units/Ac)	74.26	Zoning Description	Commercial
Corner/Interior	Interior		Downtown/Multiple Family
Shape	Rectangular		

Indicators

\$/Gross Acre	\$21,420,003.00	\$/Unit	\$288,462
\$/Gross SF	\$491.74		



Remarks

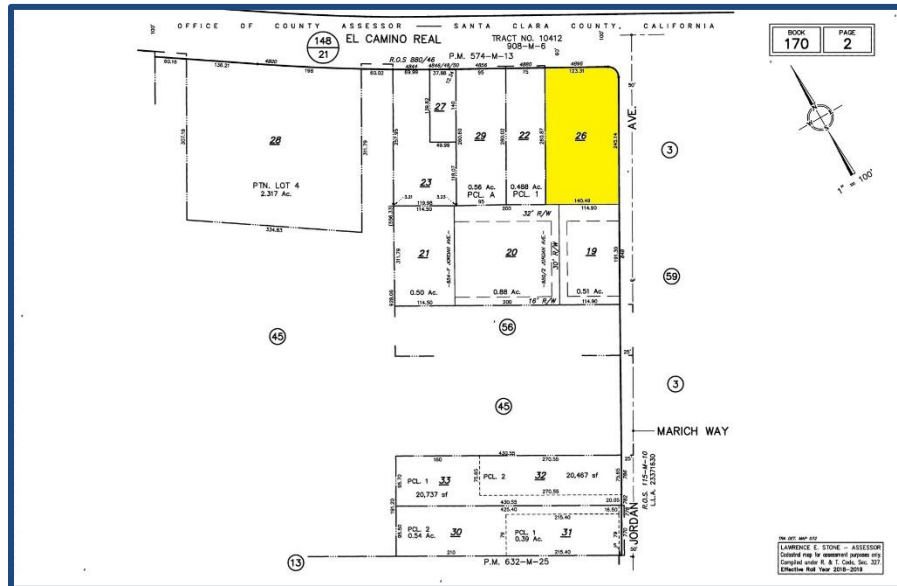
This property consists of two contiguous parcels improved with a partial two-story, multi-tenant office building located in downtown Los Altos. The site has a rectangular shape and an interior lot configuration with approximately 153 feet of frontage along First Street and a depth of 95 feet. The property benefits from its downtown location and nearby commercial uses.

The underlying site contains approximately 15,252 square feet or 0.35 acres. The site is improved with two office buildings constructed in 1957. The property is zoned Commercial Downtown/ Multiple Family, and the General Plan land use designation is Downtown Commercial.

The combined site sold for \$7,500,000 or approximately \$492 per square foot of land area. The buyer is a developer who intends to redevelop the site with a four-story multi-family (26 units) residential condominium project. The buyer paid cash, and there were no entitlements in place at the time of sale.

The improvements were leased at the time of sale and generated some interim income, until entitlements were received for redevelopment. The value was, however, in the land.

LAND COMPARABLE 5



Property Identification

Property/Sale ID	10720536/1426425
Property Type	Commercial
Address	4896 El Camino Real
City, State Zip	Los Altos, California 94022
County	Santa Clara
Latitude/Longitude	37.398364/-122.108809
Tax ID	170-02-026

Transaction Data

Sale Date	August 2018	Property Rights	Fee Simple
Sale Status	Recorded	Recording Number	24000141
Grantor	Rielli Cecile 1990 Trust	Sale Price	\$11,700,000
Grantee	Doheny-Vidovich Partners/De Anza Properties		

Property Description

Gross Acres	0.84	Shape	Rectangular
Gross SF	36,600	Use Designation	Thoroughfare Commercial
No. of Units	28	Zoning Jurisdiction	City of Los Altos
Density (Units/Ac)	33.32	Zoning Code	CT
Corner/Interior	Corner	Zoning Description	Commercial Thoroughfare

Indicators

\$/Gross Acre	\$13,924,924.00	\$/Unit	\$417,857
\$/Gross SF	\$319.67		



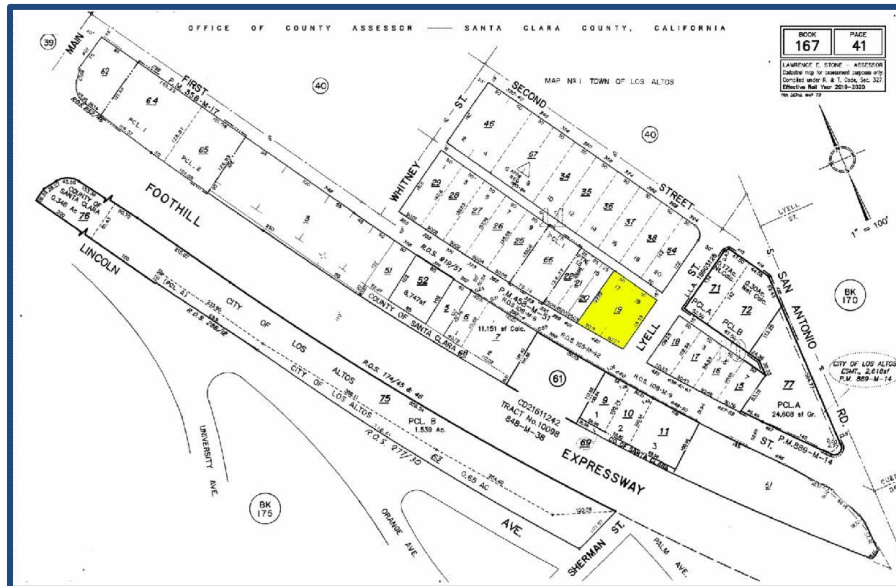
Remarks

This property consists of a single parcel improved with a fast food restaurant (Jack in the Box) and a single-family residence located along the south side of West El Camino Real in Los Altos. The site has a rectangular shape and a corner lot configuration at the signalized intersection of West El Camino Real and Jordan Avenue. The site has approximately 140 feet of frontage along West El Camino Real (with two curb cuts) and 260 feet of frontage along Jordan Avenue (with two curb cuts).

The underlying site contains 36,600 square feet or 0.84 acres. The improvements were originally constructed circa 1968. The property zoning is Commercial Thoroughfare, and the General Plan land use designation is Thoroughfare Commercial.

Doheny-Vidovich Partners/De Anza Properties purchased this property in August 2018 from Rielli Cecile 1990 Trust. The sale price was \$11,700,000 or approximately \$320 per square foot of land. The property sold above the asking price of \$11,500,000 and was exposed to the market for 38 days. The property sold without entitlements, and the buyer intends on redeveloping the site with a four-story mixed-use building with three floors of office and four residential condo units on the 4th floor.

LAND COMPARABLE 6



Property Identification

Property/Sale ID	10780965/1425211
Property Type	Planned Development (PUD)
Address	425 1st Street
City, State Zip	Los Altos, California 94022
County	Santa Clara
Latitude/Longitude	37.375270/-122.115408
Tax ID	167-41-019

Transaction Data

Sale Date	June 2018	Property Rights	Leased Fee
Sale Status	Recorded	Recording Number	23956278
Grantor	Los Altos Fields LLC	Sale Price	\$5,700,000
Grantee	425 First Los Altos LLC		

Property Description

Gross Acres	0.27	Use Designation	Downtown Commercial
Gross SF	11,800	Zoning Jurisdiction	City of Los Altos
No. of Units	20	Zoning Code	CD/R-3
Density (Units/Ac)	73.83	Zoning Description	Commercial
Corner/Interior	Corner		Downtown/Multiple Family
Shape	Irregular		

Indicators

\$/Gross Acre	\$21,041,751.00	\$/Unit	\$285,000
\$/Gross SF	\$483.05		



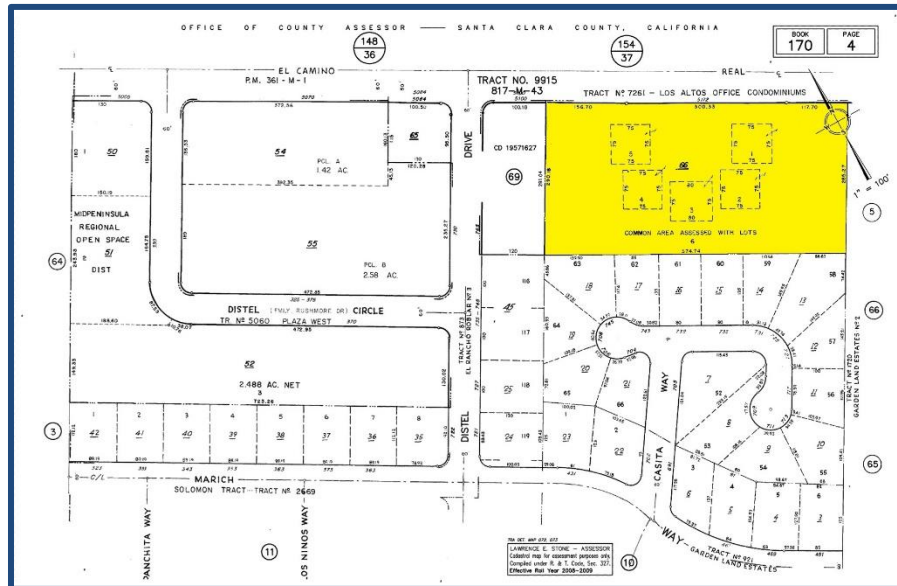
Remarks

This is an irregularly-shaped corner parcel located in Downtown Los Altos. The site measures 11,800 square feet or 0.27 acres. The improvements consist of a two-story office building with a gross building area of 4,913 square feet and net rentable area of 4,722 square feet. The building was constructed in 1975 and appears to be in adequate condition. The improvements represent a floor area ratio of 42%. However, the value of these improvements was interim, until entitlements are received for redevelopment.

This property sold for \$5,700,000 or approximately \$337 per square foot of site area. The property was reportedly 29% occupied at the time of sale by one tenant with a lease through December 2020. The buyer intended on occupying the remaining ground-floor unit, and eventually redevelop in 2020. The buyer put \$2.7M down and financed the remainder through Technology Credit Union.

In June of 2019 the site received entitlements for a new three-story, 20-unit multi-family building with one level of underground parking. The project will provide three affordable units but did not seek any development incentives.

LAND COMPARABLE 7



Property Identification

Property/Sale ID	10994571/1432450
Property Type	Mixed Use Land
Address	5150 El Camino Real
City, State Zip	Los Altos, California 94022
County	Santa Clara
Latitude/Longitude	37.395271/-122.102275
Tax ID	170-04-066

Transaction Data

Sale Date	April 2018	Grantee	Dutchints Development (5150 ECR Group LLC)
Sale Status	Recorded	Property Rights	Leased Fee
Grantor	Realty Associates Fund X LP	Recording Number	23910566
		Sale Price	\$48,000,000

Property Description

Gross Acres	3.80	Shape	Rectangular
Gross SF	165,367	Use Designation	Thoroughfare Commercial
No. of Units	196	Zoning Jurisdiction	City of Mountain View
Density (Units/Ac)	51.63	Zoning Code	CT
Corner/Interior	Interior	Zoning Description	Commercial Thoroughfare

Indicators

\$/Gross Acre	\$12,643,890.00	\$/Unit	\$244,898
\$/Gross SF	\$290.26		

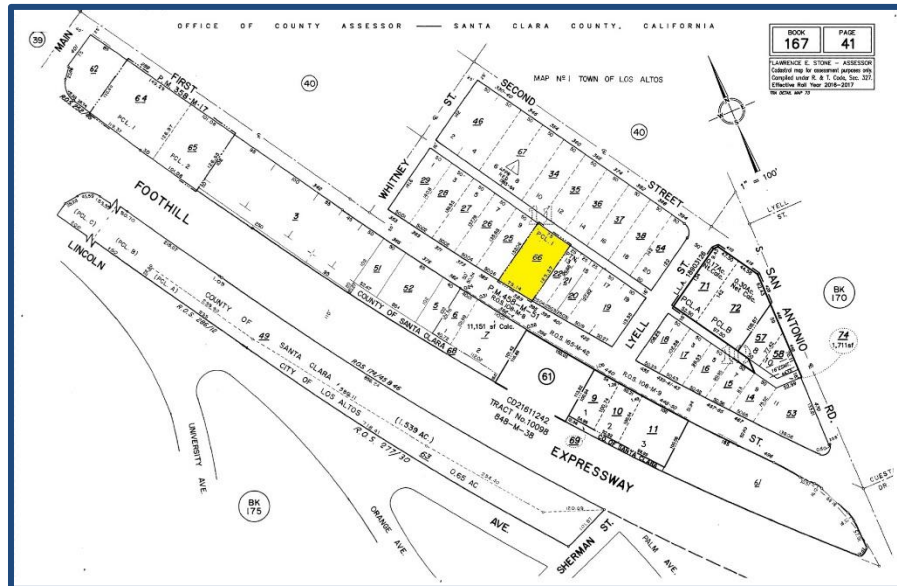


Remarks

This property consists of a single parcel improved with a three-story, multi-tenant, office building located along the south side of West El Camino Real in Los Altos. The site has a rectangular shape and a T-intersection lot configuration at the signalized intersection of West El Camino Real and South Rengstorff Avenue. The site has approximately 575 feet of frontage along West El Camino Real and an average depth of 290 feet. The property has visibility along a commercial thoroughfare and direct access from a signalized intersection.

The underlying site measures 165,367 gross square feet or 3.80 gross acres. The existing improvements contain 76,525 square feet and were constructed circa 1982. The floor area ratio is 46%. The property zoning is Commercial Thoroughfare, and the General Plan land use designation is Thoroughfare Commercial. The land use designation allows mixed-use development up to 1.5 FAR along the El Camino Real Corridor.

Dutchints Development purchased this property in April 2018 from Realty Associates Fund X LP. The sale price was \$48,000,000 or \$290 per square foot of site area. This was an off-market transaction. Although the asking/ sale price was based on the existing office NOI, the buyer is a home-builder who sees future high-density residential redevelopment for the site, upon receipt of entitlements.

LAND COMPARABLE 8**Property Identification**

Property/Sale ID	10777228/1318422
Property Type	Mixed Use Land
Address	389 1st Street
City, State Zip	Los Altos, California 94022
County	Santa Clara
Latitude/Longitude	37.375602/-122.115744
Tax ID	167-41-066

Transaction Data

Sale Date	January 2017	Property Rights	Fee Simple
Sale Status	Recorded	Recording Number	23590261
Grantor	Sandridge Trust	Sale Price	\$3,515,000
Grantee	1st Place Village, LLC		

Property Description

Gross Acres	0.22	Use Designation	Downtown Commercial
Gross SF	9,750	Zoning Jurisdiction	City of Los Altos
No. of Units	6	Zoning Code	CD/R3
Density (Units/Ac)	26.81	Zoning Description	Commercial Downtown/ Multiple Family
Corner/Interior	Interior		
Shape	Generally Rectangular		

Indicators

\$/Gross Acre	\$15,703,882.00	\$/Unit	\$585,833
\$/Gross SF	\$360.51		



Remarks

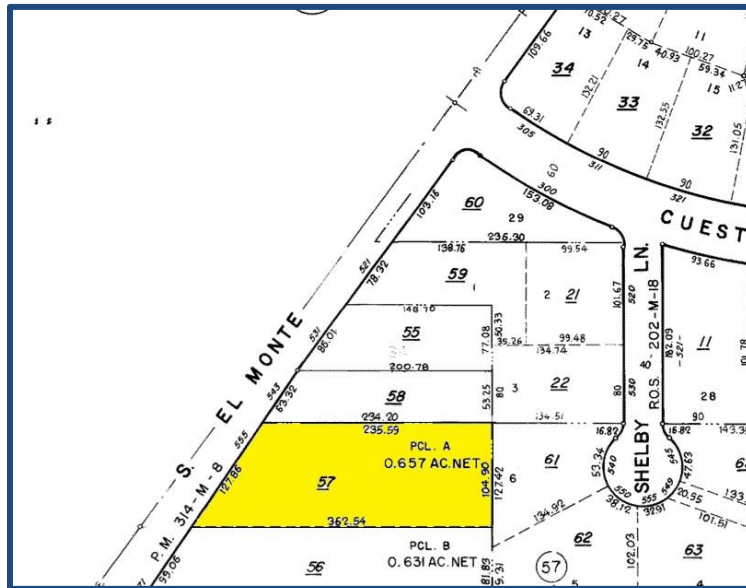
This property consists of a single parcel improved with two contiguous commercial buildings located along the northeast side of 1st Street in downtown Los Altos. The site has a generally rectangular shape with approximately 75 feet of frontage along 1st Street and an average depth of 130 feet. There is an alleyway which runs along the rear of the property and connects Lyell Street and Whitney Street. The property benefits from its downtown Los Altos location.

The underlying site measures 9,750 gross square feet or 0.22 gross acres. The improvements contain approximately 3,140 square feet, were constructed circa 1980, and are demised into two retail units and one office unit. The floor area ratio is 32%. The property is zoned Commercial Downtown/ Multiple Family, and the General Plan land use designation is Downtown Commercial. The property sold fully leased with long-term tenants on month-to-month leases.

1st Place Village, LLC purchased this property in February 2017 from Sandridge Trust. The property sold below the asking price of \$2,500,000. The sale price was \$3,515,000 or \$360.51 per square foot of land. The buyer is a tenant who will continue to occupy a portion of the property. His eventual plans are, however, to redevelop the property in the future. The site received entitlements along with the adjacent 385 First Street site for the development of 10 condo units over 2,800 square feet of office in July of 2019. There will also be a one level ground garage with a mechanical lift system and a rooftop deck. The project received development incentives for increased height in exchange of providing one affordable unit. We estimate that 6 of the units will be located on this portion of the assembled site, based on the project density of 27 du/ac.



LAND COMPARABLE 9



Property Identification

Property/Sale ID	10782488/1321407
Property Type	Subdivision-Residential
Address	555 S El Monte Avenue
City, State Zip	Los Altos, California 94022
County	Santa Clara
Latitude/Longitude	37.373055/-122.107909
Tax ID	189-51-057

Transaction Data

Sale Date	September 2017	Property Rights	Fee Simple
Sale Status	Recorded	Recording Number	0023766123
Grantor	Padori Trust	Sale Price	\$3,600,000
Grantee	Bauhaus LLC		

Property Description

Gross Acres	0.65	Use Designation	Single-Family Medium Lot (SF-4)
Gross SF	28,314	Zoning Jurisdiction	City of Los Altos
No. of Units	2	Zoning Code	R1-10
Density (Units/Ac)	3.08	Zoning Description	Single-Family
Corner/Interior	Interior		
Shape	Trapezoidal		

Indicators

\$/Gross Acre	\$5,538,462.00	\$/Unit	\$1,800,000
\$/Gross SF	\$127.15		



Remarks

The property consists of a single parcel improved with an older single-family residence located northeast of the intersection of Foothill Expressway and El Monte Avenue in Los Altos. The site is composed of two legal lots with an interior lot configuration. The parcel has approximately 128 feet of frontage along a divided portion of El Monte Avenue, which restricts the flow of traffic one-way north from the property. Foothill Expressway is approximately half a mile west, which connects to Interstate 280 approximately 3.6 miles west of the property. Downtown Los Altos is conveniently located less than 2 miles north.

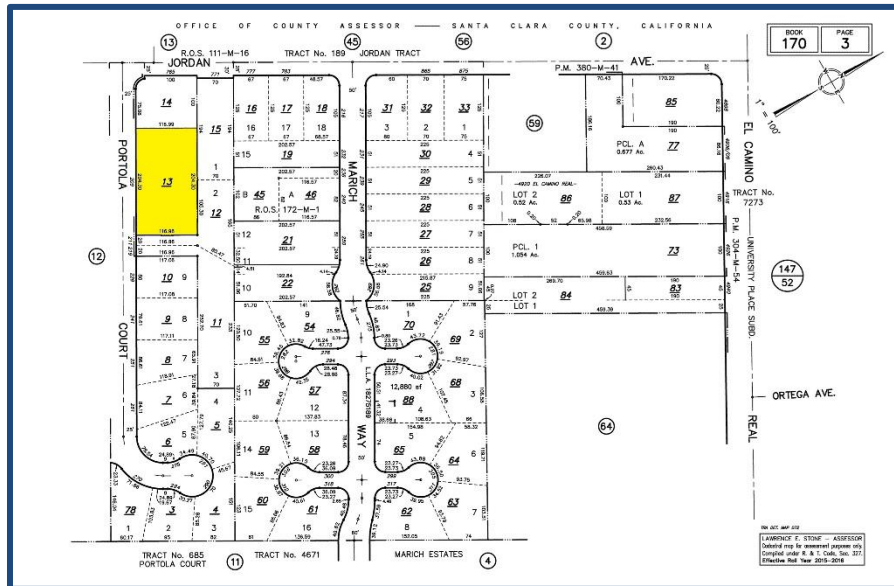
The underlying site measures 28,314 gross square feet or 0.65 acres. Under the jurisdiction of the City of Los Altos, the site has a zoning of R1-10, or Single Family, and a General Plan land use designation of Single-Family Medium Lot (SF-4), which permits a maximum density of 4 dwelling units per net acre.

The single-family home was built circa 1907 and was of little to no value. The value was in the land for subdivision and redevelopment.

Padori Trust purchased this property from Bauhaus LLC in September 2017. The property was listed for a week and sold above the asking price of \$3,250,000.



LAND COMPARABLE 10



Property Identification

Property/Sale ID	10777164/1318383
Property Type	Subdivision-Residential
Address	209 Portola Court
City, State Zip	Los Altos, California 94022
County	Santa Clara
Latitude/Longitude	37.395607/-122.109524
Tax ID	170-03-013

Transaction Data

Sale Date	November 2016	Property Rights	Fee Simple
Sale Status	Recorded	Recording Number	23538288
Grantor	Emerich Barbara Trust	Sale Price	\$4,500,200
Grantee	HAQQ Family Trust Bourgan Family Trust		

Property Description

Gross Acres	0.55	Use Designation	Single Family, Small Lot (4 du/ac)
Gross SF	23,958	Zoning Jurisdiction	City of Los Altos
No. of Units	2	Zoning Code	R1-10
Density (Units/Ac)	3.64	Zoning Description	Single-Family
Corner/Interior	Interior		
Shape	Rectangular		

Indicators

\$/Gross Acre	\$8,182,182.00	\$/Unit	\$2,250,100
\$/Gross SF	\$187.84		



Remarks

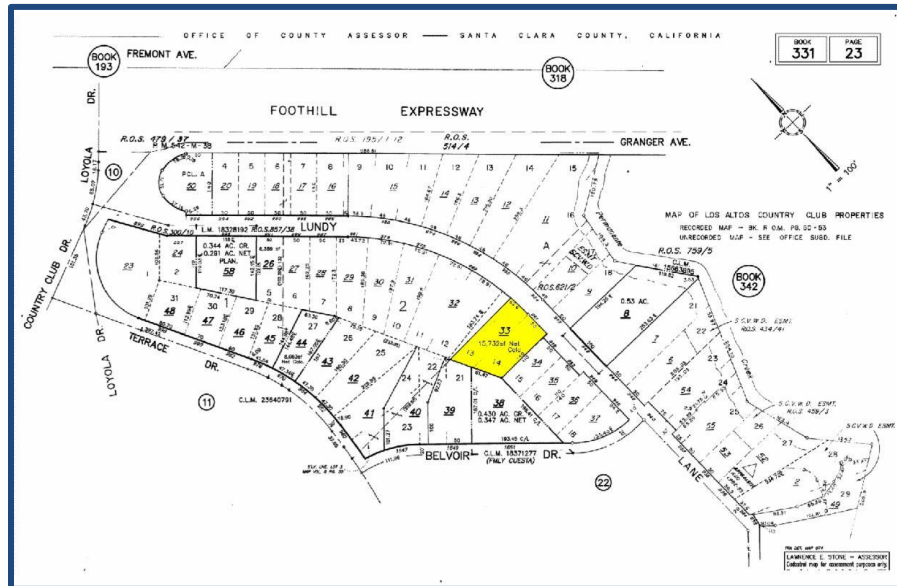
This property consists of a single parcel improved with an older single-family residence located along the north side of Portola Court in Los Altos. The site has a rectangular shape and an interior lot configuration one parcel east of Jordan Avenue. The site has approximately 205 feet of frontage along Portola Court and a depth of 120 feet.

The underlying site measures approximately 23,958 gross square feet or 0.55 gross acres. The improvements contain approximately 2,510 square feet and were original constructed in the early 1900s. The property zoning and General Plan land use designation are Single-Family Residential. The land has subdivision potential for up to two lots.

The property was marketed for land value at \$3,988,000 and received four offers and sold to the highest bidder. The listing agent stated that the Thanksgiving holiday and the aftermath of the presidential election were influential to the sale of the property, as people were discovering belatedly that the property was on the market, and developers were having trouble rounding up investors. The property could be subdivided into two lots and the buyer of the property intends to use one of the two lots and sell the other. The buyer was working with a developer for constructing a home, and the buyer's agent had a very strong relationship with the buyer and a lot of experience with Los Altos development. Her guidance and reputation, along with financial connections, made their offer the highest. They did obtain financing; it was not a cash sale.

At the time of sale, the house was occupied; there was a 4-month free rent back period for family members who were living there. Since the time of the sale, the property has been subdivided into two parcels, which was the maximum allowed by the city.

LAND COMPARABLE 11



Property Identification

Property/Sale ID	11017207/1468416
Property Type	Residential (Single-Family)
Address	961 Lundy Lane
City, State Zip	Los Altos, California 94024
County	Santa Clara
Latitude/Longitude	37.350301/-122.086957
Tax ID	331-23-033

Transaction Data

Sale Date	February 2018	Property Rights	Fee Simple
Sale Status	Recorded	Recording Number	0023880074
Grantor	Jo Alida Wilcox	Sale Price	\$2,960,000
Grantee	West Valley Ventures LLC		

Property Description

Gross Acres	0.46	Use Designation	Single-Family Medium Lot (SF-4)
Gross SF	20,038	Zoning Jurisdiction	City of Los Altos
No. of Units	1	Zoning Code	R1-10
Density (Units/Ac)	2.17	Zoning Description	Single-Family
Corner/Interior	Interior		
Shape	Trapezoidal		

Indicators

\$/Gross Acre	\$6,434,783.00	\$/Unit	\$2,960,000
\$/Gross SF	\$147.72		



Remarks

The property consists of one parcel improved with a single-family home located west of Foothill Expressway in Loyola, a census-designated place nestled between the city of Los Altos and the Los Altos Hills. The parcel has an interior lot configuration and is composed of two lots that form a trapezoidal shape. Along Lundy Avenue, the parcel has approximately 120 feet of frontage and a depth of 184 feet. The property is less than a quarter of a mile from Foothill Expressway and less than two miles from Interstate 280, providing adequate access. Both El Camino Hospital and Downtown Los Altos are within 2.5 miles north, and the property also benefits from being near the Los Altos Golf and Country Club.

The underlying site measures approximately 20,038 square feet or 0.46 gross acres, although the title company shows a slightly smaller size of 17,765 square feet or 0.4 acres to the middle of the road and the Assessor's plat map shows a net square footage of 15,732 square feet or 0.36 acres. Under the jurisdiction of the City of Los Altos, the site has a zoning of R1-10, or Single Family, and a General Plan land use designation of Single-Family Medium Lot (SF-4), which permits a maximum density of 4 dwelling units per net acre.

The site is improved with a single-family home originally constructed in 1944 and in fair condition. The home was expanded by the owner in the past, but it is unclear if the expansion was approved. The property's value is in the land.

The property sold in March 2018 for a reported \$2,960,000 and involved a conventional loan of \$2,368,000. The buyer, West Valley Ventures LLC, is a luxury home builder who is planning a 6,000-square-foot home onsite.



Summary of Los Altos Residential Land Values

The residential land sales presented above bracket a variety of locations within Los Altos, densities, sizes, project types and other physical characteristics. Overall, they bracket current residential land values in Los Altos well.

The purpose of this assignment is to provide a range of values for vacant, unentitled, residential land in Los Altos. The comparable sales bracket current residential land values in Los Altos. We have adjusted the sales for interim income and other factors that affect the sale price, so that the final range concluded represents current, unentitled land values.

Comparable 1 was downward adjusted for being an assemblage. The price paid was believed to be slightly above market. Comparable 8 was purchased by the tenant while Comparable 10 was purchased by a very motivated buyer. Both comparables also warrant a downward adjustment under conditions of sale. On the other hand, Comparable 7 was considered a below market sale, given that it was an off-market transaction, and an upward adjustment was made.

As noted earlier, market conditions started to stabilize over the past year for the residential market. In Los Altos, home prices have shown a small decline, especially for the Single-Family Detached product. Condo prices have remained stable or have slightly increased in the past year. We note, however, that the land market is still very active and several transactions took place over the past two years. These sales demonstrate high land values, particularly in the downtown area. Our adjustment for current market conditions is based on an approximately annual increase of 5% per year. Each of the sales was adjusted accordingly, to reflect current market conditions.

All of the comparables were purchased for residential development. While some of the comparable sales were located along major commercial thoroughfares, and within zoning districts that encouraged mixed-use development, the buyers' intentions were to develop the sites residentially. The only exception was Comparable 5, planned for a mixed-use project. However, an adjustment for the proposed mixed-use development was not supported. Thus, no adjustment was warranted.

Comparable 2 had inferior Office zoning and general plan. While the buyer intends to develop the site residentially, he would have to proceed with a zoning change and a general plan amendment, a discretionary process with uncertain outcome. Considering that office land commands lower prices than residential land, an upward adjustment for zoning was supported.

All of the comparable sales were unentitled land sales and no adjustments were warranted in this category. However, partial entitlements were in place for Comparable 2, and as such it required a downward adjustment in this category.

Comparables 1, 2, 4, 6, 7 and 8 had improvements on site that were either attributed some value or contributed interim income; this interim income could carry the properties through the entitlements process. A downward adjustment was made to these comparables. Comparable 2 was encumbered with a deed restriction that presented uncertainty. We have made an upward adjustment to this comparable, in account of the risk associated with redevelopment.

No other adjustments were made to the sales. After these adjustments, the sales reflect a broad range of current, unentitled land values in Los Altos.



The adjustments made to the sales are summarized in the adjustment grid on the following page. We note that the adjustment grid is not intended to be a scientific method in adjusting the land sales. It is merely presented as an explanation to help the reader follow the appraiser's judgment and the adjustment process. While the amount of individual adjustments can be argued, they do help provide an order of magnitude and an adjustment direction based on the market data presented.



Land Sales Adjustment Grid

Subject	Sale # 1	Sale # 2	Sale # 3	Sale # 4	Sale # 5	Sale # 6	Sale # 7	Sale # 8	Sale # 9	Sale # 10	Sale # 11	
Sale ID	1468262	1426664	1426423	1426420	1426425	1425211	1432450	1318422	1321407	1318383	1468416	
Date of Value & Sale	January-20	October-19	July-19	June-19	November-18	August-18	June-18	April-18	January-17	September-17	November-16	February-18
Unadjusted Sales Price	\$3,500,000	\$4,700,000	\$3,300,000	\$7,500,000	\$11,700,000	\$5,700,000	\$48,000,000	\$3,515,000	\$3,600,000	\$4,500,200	\$2,960,000	
Usable Acres	0.000	0.160	0.551	0.126	0.350	0.840	0.271	3.796	0.224	0.650	0.550	0.460
Unadjusted Sales Price per Usable Sq. Ft.	\$501.79	\$195.83	\$600.55	\$491.74	\$319.67	\$483.05	\$290.26	\$360.51	\$127.15	\$187.84	\$147.72	
Transactional Adjustments												
Property Rights Conveyed	<i>Fee Simple</i>	<i>Fee Simple</i>	<i>Fee Simple</i>	<i>Fee Simple</i>	<i>Fee Simple</i>	<i>Fee Simple</i>	<i>Leased Fee</i>	<i>Leased Fee</i>	<i>Fee Simple</i>	<i>Fee Simple</i>	<i>Fee Simple</i>	<i>Fee Simple</i>
Adjustment	-	-	-	-	-	-	-	-	-	-	-	-
Adjusted Sales Price	\$501.79	\$195.83	\$600.55	\$491.74	\$319.67	\$483.05	\$290.26	\$360.51	\$127.15	\$187.84	\$147.72	
Financing Terms	<i>Cash to Seller</i>	<i>Conventional</i>	<i>Conventional</i>	<i>Cash</i>	<i>Cash</i>	<i>Conventional</i>	<i>Conventional</i>	<i>Conventional</i>	<i>Conventional</i>	<i>Cash</i>	<i>Conventional</i>	<i>Cash</i>
Adjustment	-	-	-	-	-	-	-	-	-	-	-	-
Adjusted Sales Price	\$501.79	\$195.83	\$600.55	\$491.74	\$319.67	\$483.05	\$290.26	\$360.51	\$127.15	\$187.84	\$147.72	
Conditions of Sale	<i>Typical</i>	<i>Assemblage</i>	<i>Typical</i>	-	<i>Typical</i>	<i>Typical</i>	<i>Off market transaction</i>	<i>Purchased by tenant</i>	-	<i>Motivated</i>	-	
Adjustment	-10.0%	-	-	-	-	-	10.0%	-10.0%	-	-10.0%	-	
Adjusted Sales Price	\$451.61	\$195.83	\$600.55	\$491.74	\$319.67	\$483.05	\$319.29	\$324.46	\$127.15	\$169.05	\$147.72	
Expenditures after Sale												
Adjustment	-	-	-	-	-	-	-	-	-	-	-	
Adjusted Sales Price	\$451.61	\$195.83	\$600.55	\$491.74	\$319.67	\$483.05	\$319.29	\$324.46	\$127.15	\$169.05	\$147.72	
Market Conditions Adjustments												
Elapsed Time from Date of Value	<i>0.25 years</i>	<i>0.53 years</i>	<i>0.61 years</i>	<i>1.19 years</i>	<i>1.48 years</i>	<i>1.62 years</i>	<i>1.79 years</i>	<i>3.04 years</i>	<i>2.35 years</i>	<i>3.16 years</i>	<i>1.96 years</i>	
Market Trend Through	January-20	1.3%	2.6%	3.0%	6.0%	7.4%	8.1%	8.9%	15.2%	11.8%	15.8%	9.8%
Analyzed Sales Price	\$457.30	\$201.01	\$618.73	\$521.04	\$343.28	\$522.22	\$347.81	\$373.80	\$142.09	\$195.78	\$162.17	
Physical Adjustments												
Location	<i>Unencumbered Residential Land</i> <i>Los Altos, California</i>	<i>365 First Street</i> <i>Los Altos, California</i>	<i>745 Distel Drive</i> <i>Los Altos, California</i>	<i>440 First Street</i> <i>Los Altos, California</i>	<i>444-450 First Street</i> <i>Los Altos, California</i>	<i>4896 El Camino Real</i> <i>Los Altos, California</i>	<i>425 1st Street</i> <i>Los Altos, California</i>	<i>5150 El Camino Real</i> <i>Los Altos, California</i>	<i>389 1st Street</i> <i>Los Altos, California</i>	<i>555 S El Monte Avenue</i> <i>Los Altos, California</i>	<i>209 Portola Court</i> <i>Los Altos, California</i>	<i>961 Lundy Lane</i> <i>Los Altos, California</i>
Adjustment	-	-	-	-	-	-	-	-	-	-	-	-
Size	<i>0.000 acres</i>	<i>0.160 acres</i>	<i>0.551 acres</i>	<i>0.126 acres</i>	<i>0.350 acres</i>	<i>0.840 acres</i>	<i>0.271 acres</i>	<i>3.796 acres</i>	<i>0.224 acres</i>	<i>0.650 acres</i>	<i>0.550 acres</i>	<i>0.460 acres</i>
Adjustment	-	-	-	-	-	-	-	-	-	-	-	-
Shape/Depth	<i>Rectangular</i>	<i>Rectangular</i>	<i>Rectangular</i>	<i>Rectangular</i>	<i>Rectangular</i>	<i>Irregular</i>	<i>Rectangular</i>	<i>Generally Rectangular</i>	<i>Trapezoid</i>	<i>Rectangular</i>	<i>Flag lot</i>	
Adjustment	-	-	-	-	-	-	-	-	-	-	-	
Topography	<i>Level</i>	<i>Level</i>	<i>Level</i>	<i>Level</i>	<i>Level</i>	<i>Generally level</i>	<i>Level</i>	<i>Generally Level</i>	<i>Level</i>	<i>Level</i>	<i>Level</i>	
Adjustment	-	-	-	-	-	-	-	-	-	-	-	
Zoning	<i>CD/R3</i>	<i>OA-1CT</i>	<i>CD/R3</i>	<i>CD/R3</i>	<i>CT</i>	<i>CD/R-3</i>	<i>CT</i>	<i>CD/R3</i>	<i>R1</i>	<i>R1-10</i>	<i>R1</i>	
Adjustment	-	30.0%	-	-	-	-	-	-	-	-	-	
Entitlements	<i>No</i>	<i>No</i>	<i>Preliminary</i>	<i>No</i>	<i>No</i>	<i>No</i>	<i>No</i>	<i>No</i>	<i>No</i>	<i>No</i>	<i>No</i>	
Adjustment	-	-	-20.0%	-	-	-	-	-	-	-	-	
Other	<i>Interim Use</i>	<i>Deed Restriction</i>	<i>Interim use of the improvements</i>	<i>Interim Use of the Improvements</i>	<i>Interim use of the improvements</i>	<i>Interim Use</i>	<i>Interim Use</i>					
Adjustment	-20.0%	20.0%	-20.0%	-20.0%	-	-20.0%	-20.0%	-20.0%	-	-	-	
Net Physical Adjustment	-20.0%	50.0%	-40.0%	-20.0%	-	-20.0%	-20.0%	-20.0%	-	-	-	
Adjusted Sales Price per Usable Square Foot	\$365.84	\$301.52	\$371.24	\$416.83	\$343.28	\$417.78	\$278.25	\$299.04	\$142.09	\$195.78	\$162.17	



After adjustment, the sales indicate a range from \$142 to \$418 per square foot of land area, which is a very wide range. This wide range reflects a variety of other factors, such as the underlying zoning/density of development, the specific location within Los Altos, the size of the lot etc. The average of the comparables is \$299 per square foot and the median is \$302 per square foot.

Land Sale Statistics

Metric	Unadjusted	Adjusted
Minimum Sales Price per Usable Square Foot	\$127.15	\$142.09
Maximum Sales Price per Usable Square Foot	\$600.55	\$417.78
Median Sales Price per Usable Square Foot	\$319.67	\$301.52
Mean Sales Price per Usable Square Foot	\$336.92	\$299.44

At the low end of the range are Comparables 9, 10 and 11. These are lower density, single family residential sites. They range in adjusted value between \$142 and \$196 per square foot.

The rest of the comparables were higher density sales, proposed for condo or multi-family residential (apartment) development. This is a very desirable product/ density range for most developers today. These sales ranged between \$278 to \$418 per square foot.

The low price paid for Comparable Sale 7 reflects the fact that this was an off-market transaction, as well as a dated sale. At the upper end of the range, Sales 3 and 5 were small lots in downtown Los Altos, where very high-density development was proposed. The rest of the sales form a tighter range of \$300-\$370 per square foot. We note that Comparables 1, 2 and 3 are the most recent sales in the sample. Giving more weight to these comparables, as well as the average of the comparable sales, a range of value of \$300 to \$350 is considered more appropriate for medium to high-density residential land.

In summary, the Los Altos sales surveyed indicate an adjusted range of \$142 to \$417 per square foot, which reflects the value of most vacant, unentitled residential land sites within Los Altos. Most land purchased in Los Altos is for condominium or apartment development. The value for this type of land most commonly ranges between **\$300 and \$350** per square foot. The value for low density residential land is in the **\$150 to \$190** per square foot range.

Analysis of Additional Residential Land Sales

As noted previously, we have also researched and analyzed additional land sales located in the communities surrounding Los Altos, in an effort to provide additional support for the land value ranges concluded above. These sales are summarized in the table on the next page. A location map follows. Prior to adjustment, the sales range between \$133 and \$305 per square foot. As with the sales located in Los Altos, they reflect a variety of physical characteristics, densities and development potential.



Land Sales Summary

Comp. No.	Date of Sale	Usable Acres	Location	Zoning	Proposed Use	Density Du/ac	Sales Price Actual	Per Sq. Ft.	
1	January-19	0.654	1926-1938 Gamel Way	Mountain View, California	R3	Apartments	27.53	\$6,830,000	\$239.79
2	November-19	3.050	2310 Rock Street	Mountain View, California	R322	Townhomes	17.52	\$40,500,000	\$304.84
3	February-19	0.360	4115 El Camino Real	Palo Alto, California	CN	Mixed-Use Building	19.42	\$7,650,000	\$487.26
4	October-19	3.850	525 E Evelyn Avenue	Mountain View, California	P(30)	Apartment	N/A	\$32,650,000	\$194.69
5	March-19	0.878	410-414 Sierra Vista Avenue	Mountain View, California		Townhomes	17.09	\$10,000,000	\$261.53
6	September-18	0.580	715 Sleeper Avenue	Mountain View, California	R1-10	Two home subdivision	3.45	\$3,350,000	\$132.59



Summary of Nearby Residential Land Values

The residential land sales presented above bracket a variety of locations around Los Altos, densities, sizes, project types and other physical characteristics. Overall, they bracket current residential land values in Los Altos well.

We have adjusted the comparable sales under various categories that affect the sale price, so that the final range concluded represents current, unentitled land values reflective of the Los Altos market.

In summary, the additional sales surveyed, from the broader market area, suggest an adjusted range of value in the \$156 to \$322 per square foot, which reflects the value of most vacant, unentitled residential land sites within the submarket. The low end of the range is for the low density, single family residential land sale 6. This sale has an adjusted price per square foot of \$156. The rest of the comparables are for medium / high density residential land and ranged between \$249 and \$322 per square foot. These sales drawn from the broader market area provide additional support for the value ranges indicated by the Los Altos land sales.

Conclusion of Land Value

Based on the research and analysis contained in this report, the range of current land values for vacant, unentitled land purchased in Los Altos for residential development, as of January 28, 2020, is as follows:

Value Conclusion

Component	As Is
Value Type	Market Value
Property Rights Appraised	Fee Simple
Effective Date of Value	January 28, 2020
Value Range- Single Family Residential	\$150-\$190 per sf
Value Range Multi-Family Residential	\$300-\$350 per sf

The above range reflects the value of most vacant, unentitled residential land sites within Los Altos. Most land purchased in Los Altos is for condominium and mixed-use development. The value for such land is between \$300 to \$350 per square foot, while for single family residential land in the \$160-\$200 per square foot. These values are generally supported by land sales drawn from surrounding cities/ broader market area.

We note that current, unentitled residential land values are dependent on a variety of factors and are specific to individual properties. The range of values reported in this report is not specific to any single piece of property in Los Altos but rather reflects a range of values expected for land purchased in Los Altos that has residential development potential. The actual value for any specific property is dependent on factors such as the ease in which entitlements can be obtained, its location, school district, size, likely development density, etc. The values reported herein bracket a variety of these factors, as reflected in the current market.

General Assumptions and Limiting Conditions

This appraisal is subject to the following general assumptions and limiting conditions:

1. No responsibility is assumed for legal matters, questions of survey or title, soil or subsoil conditions, engineering, availability or capacity of utilities, or other similar technical matters. The appraisal does not constitute a survey of the property appraised. All existing liens and encumbrances have been disregarded and the property is appraised as though free and clear, under responsible ownership and competent management unless otherwise noted.
2. Unless otherwise noted, the appraisal will value the property as though free of contamination. Valbridge Property Advisors | Northern California will conduct no hazardous materials or contamination inspection of any kind. It is recommended that the client hire an expert if the presence of hazardous materials or contamination poses any concern.
3. The stamps and/or consideration placed on deeds used to indicate sales are in correct relationship to the actual dollar amount of the transaction.
4. The appraiser is not required to give testimony or attendance in court by reason of this appraisal, unless previous arrangements have been made.
5. Unless expressly specified in the engagement letter, the fee for this appraisal does not include the attendance or giving of testimony by Appraiser at any court, regulatory or other proceedings, or any conferences or other work in preparation for such proceeding. If any partner or employee of Valbridge Property Advisors | Northern California is asked or required to appear and/or testify at any deposition, trial, or other proceeding about the preparation, conclusions or any other aspect of this assignment, client shall compensate Appraiser for the time spent by the partner or employee in appearing and/or testifying and in preparing to testify according to the Appraiser's then current hourly rate plus reimbursement of expenses.
6. The values for land and/or improvements, as contained in this report, are constituent parts of the total value reported and neither is (or are) to be used in making a summation appraisal of a combination of values created by another appraiser. Either is invalidated if so used.
7. The dates of value to which the opinions expressed in this report apply are set forth in this report. We assume no responsibility for economic or physical factors occurring at some point at a later date, which may affect the opinions stated herein. The forecasts, projections, or operating estimates contained herein are based on current market conditions and anticipated short-term supply and demand factors and are subject to change with future conditions. Appraiser is not responsible for determining whether the date of value requested by Client is appropriate for Client's intended use.
8. The information, estimates and opinions, which were obtained from sources outside of this office, are considered reliable. However, no liability for them can be assumed by the appraiser.
9. Possession of this report, or a copy thereof, does not carry with it the right of publication. Neither all, nor any part of the content of the report, or copy thereof (including conclusions as to property value, the identity of the appraisers, professional designations, reference to any professional appraisal organization or the firm with which the appraisers are connected), shall be disseminated to the public through advertising, public relations, news, sales, or other media without prior written consent and approval.



10. No claim is intended to be expressed for matters of expertise that would require specialized investigation or knowledge beyond that ordinarily employed by real estate appraisers. We claim no expertise in areas such as, but not limited to, legal, survey, structural, environmental, pest control, mechanical, etc.
11. This appraisal was prepared for the sole and exclusive use of the client for the function outlined herein. Any party who is not the client or intended user identified in the appraisal or engagement letter is not entitled to rely upon the contents of the appraisal without express written consent of Valbridge Property Advisors | Northern California and Client. The Client shall not include partners, affiliates, or relatives of the party addressed herein. The appraiser assumes no obligation, liability or accountability to any third party.
12. Distribution of this report is at the sole discretion of the client, but third-parties not listed as an intended user on the face of the appraisal or the engagement letter may not rely upon the contents of the appraisal. In no event shall client give a third-party a partial copy of the appraisal report. We will make no distribution of the report without the specific direction of the client.
13. This appraisal shall be used only for the function outlined herein, unless expressly authorized by Valbridge Property Advisors | Northern California.
14. This appraisal shall be considered in its entirety. No part thereof shall be used separately or out of context.
15. Unless otherwise noted in the body of this report, this appraisal assumes that the subject property does not fall within the areas where mandatory flood insurance is effective. Unless otherwise noted, we have not completed nor have we contracted to have completed an investigation to identify and/or quantify the presence of non-tidal wetland conditions on the subject property. Because the appraiser is not a surveyor, he or she makes no guarantees, express or implied, regarding this determination.
16. It is assumed that there are no hidden or unapparent conditions of the property, subsoil, or structures which would render it more or less valuable. No responsibility is assumed for such conditions or for engineering which may be required to discover them.
17. This appraisal does not guarantee compliance with building code and life safety code requirements of the local jurisdiction. It is assumed that all required licenses, consents, certificates of occupancy or other legislative or administrative authority from any local, state or national governmental or private entity or organization have been or can be obtained or renewed for any use on which the value conclusion contained in this report is based unless specifically stated to the contrary.
18. We have attempted to reconcile sources of data discovered or provided during the appraisal process, including assessment department data. Ultimately, the measurements that are deemed by us to be the most accurate and/or reliable are used within this report. While the measurements and any accompanying sketches are considered to be reasonably accurate and reliable, we cannot guarantee their accuracy. Should the client desire more precise measurement, they are urged to retain the measurement services of a qualified professional (space planner, architect or building engineer) as an alternative source. If this alternative measurement source reflects or reveals substantial differences with the measurements used within the report, upon request of the client, the appraiser will submit a revised report for an additional fee.



19. Unless otherwise stated in this report, the value conclusion is predicated on the assumption that the property is free of contamination, environmental impairment or hazardous materials. Unless otherwise stated, the existence of hazardous material was not observed by the appraiser and the appraiser has no knowledge of the existence of such materials on or in the property. The appraiser, however, is not qualified to detect such substances. The presence of substances such as asbestos, urea-formaldehyde foam insulation or other potentially hazardous materials may affect the value of the property. No responsibility is assumed for any such conditions, or for any expertise or engineering knowledge required for discovery. The client is urged to retain an expert in this field, if desired.
20. No changes in any federal, state or local laws, regulations or codes (including, without limitation, the Internal Revenue Code) are anticipated, unless specifically stated to the contrary.
21. The data gathered in the course of this assignment (except data furnished by the Client) shall remain the property of the Appraiser. The appraiser will not violate the confidential nature of the appraiser-client relationship by improperly disclosing any confidential information furnished to the appraiser. Notwithstanding the foregoing, the Appraiser is authorized by the client to disclose all or any portion of the appraisal and related appraisal data to appropriate representatives of the Appraisal Institute if such disclosure is required to enable the appraiser to comply with the Bylaws and Regulations of such Institute now or hereafter in effect.
22. You and Valbridge Property Advisors | Northern California both agree that any dispute over matters in excess of \$5,000 will be submitted for resolution by arbitration. This includes fee disputes and any claim of malpractice. The arbitrator shall be mutually selected. If Valbridge Property Advisors | Northern California and the client cannot agree on the arbitrator, the presiding head of the Local County Mediation & Arbitration panel shall select the arbitrator. Such arbitration shall be binding and final. In agreeing to arbitration, we both acknowledge that, by agreeing to binding arbitration, each of us is giving up the right to have the dispute decided in a court of law before a judge or jury. In the event that the client, or any other party, makes a claim against Valbridge Property Advisors | Northern California or any of its employees in connections with or in any way relating to this assignment, the maximum damages recoverable by such claimant shall be the amount actually received by Valbridge Property Advisors | Northern California for this assignment, and under no circumstances shall any claim for consequential damages be made.
23. Valbridge Property Advisors | Northern California shall have no obligation, liability, or accountability to any third party. Any party who is not the "client" or intended user identified on the face of the appraisal or in the engagement letter is not entitled to rely upon the contents of the appraisal without the express written consent of Valbridge Property Advisors | Northern California. "Client" shall not include partners, affiliates, or relatives of the party named in the engagement letter. Client shall hold Valbridge Property Advisors | Northern California and its employees harmless in the event of any lawsuit brought by any third party, lender, partner, or part-owner in any form of ownership or any other party as a result of this assignment. The client also agrees that in case of lawsuit arising from or in any way involving these appraisal services, client will hold Valbridge Property Advisors | Northern California harmless from and against any liability, loss, cost, or expense incurred or suffered by Valbridge Property Advisors | Northern California in such action, regardless of its outcome.



24. The Valbridge Property Advisors office responsible for the preparation of this report is independently owned and operated by Valbridge Property Advisors | Hulberg & Associates, Inc. Neither Valbridge Property Advisors, Inc., nor any of its affiliates has been engaged to provide this report. Valbridge Property Advisors, Inc. does not provide valuation services, and has taken no part in the preparation of this report.
25. If any claim is filed against any of Valbridge Property Advisors, Inc., a Florida Corporation, its affiliates, officers or employees, or the firm providing this report, in connection with, or in any way arising out of, or relating to, this report, or the engagement of the firm providing this report, then (1) under no circumstances shall such claimant be entitled to consequential, special or other damages, except only for direct compensatory damages, and (2) the maximum amount of such compensatory damages recoverable by such claimant shall be the amount actually received by the firm engaged to provide this report.
26. This report and any associated work files may be subject to evaluation by Valbridge Property Advisors, Inc., or its affiliates, for quality control purposes.
27. Acceptance and/or use of this appraisal report constitutes acceptance of the foregoing general assumptions and limiting conditions.



Certification – Maria Aji, PhD

I certify that, to the best of my knowledge and belief:

1. The statements of fact contained in this report are true and correct.
2. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
3. I have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.
4. The undersigned performed services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.
5. I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
6. My engagement in this assignment was not contingent upon developing or reporting predetermined results.
7. My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
8. My analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.
9. Maria Aji, PhD has personally inspected the subject property.
10. No one provided significant real property appraisal assistance to the person signing this certification, unless otherwise noted.
11. The reported analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.
12. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
13. As of the date of this report, the undersigned has completed the Standards and Ethics Education Requirement for Candidates/Practicing Affiliates of the Appraisal Institute.

A handwritten signature in blue ink, appearing to read "Maria Aji", with a horizontal line extending to the right.

Maria Aji, Ph.D.

Senior Appraiser

California Certified License #AG027130



Certification – Norman C. Hulberg, MAI

I certify that, to the best of my knowledge and belief:

1. The statements of fact contained in this report are true and correct.
2. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
3. I have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.
4. The undersigned performed services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.
5. I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
6. My engagement in this assignment was not contingent upon developing or reporting predetermined results.
7. My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
8. My analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.
9. Norman C. Hulberg, MAI did not personally inspect the subject property.
10. No one provided significant real property appraisal assistance to the person signing this certification, unless otherwise noted.
11. The reported analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.
12. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
13. As of the date of this report, the undersigned has completed the continuing education program for Designated Members of the Appraisal Institute.

A handwritten signature in blue ink that reads "Norman C. Hulberg".

Norman C. Hulberg, MAI
Senior Managing Director
California Certified License #AG003542



Addenda

Glossary

Qualifications

- Maria Aji, PhD - Senior Appraiser
- Norman C. Hulberg, MAI – Senior Managing Director

Information on Valbridge Property Advisors

Office Locations

Glossary

Definitions are taken from The Dictionary of Real Estate Appraisal, 6th Edition (Dictionary), the Uniform Standards of Professional Appraisal Practice (USPAP), and Building Owners and Managers Association International (BOMA).

Absolute Net Lease

A lease in which the tenant pays all expenses including structural maintenance, building reserves, and management; often a long-term lease to a credit tenant. (Dictionary)

Amortization

The process of retiring a debt or recovering a capital investment, typically through scheduled, systematic repayment of the principal; a program of periodic contributions to a sinking fund or debt retirement fund. (Dictionary)

As Is Market Value

The estimate of the market value of real property in its current physical condition, use, and zoning as of the appraisal date. (Dictionary)

Base Rent

The minimum rent stipulated in a lease. (Dictionary)

Base Year

The year on which escalation clauses in a lease are based. (Dictionary)

Building Common Area

In office buildings, the areas of the building that provide services to building tenants but which are not included in the office area or store area of any specific tenant. These areas may include, but shall not be limited to, main and auxiliary lobbies, atrium spaces at the level of the finished floor, concierge areas or security desks, conference rooms, lounges or vending areas, food service facilities, health or fitness centers, daycare facilities, locker or shower facilities, mail rooms, fire control rooms, fully enclosed courtyards outside the exterior walls, and building core and service areas such as fully enclosed mechanical or equipment rooms. Specifically excluded from building common area are floor common areas, parking space, portions of loading docks outside the building line, and major vertical penetrations. (BOMA)

Building Rentable Area

The sum of all floor rentable areas. Floor rentable area is the result of subtracting from the gross measured area of a floor the major vertical penetrations on that same floor. It is generally fixed for the life of the building and is rarely affected by changes in corridor size or configuration. (BOMA)

Certificate of Occupancy (COO)

A formal written acknowledgment by an appropriate unit of local government that a new construction or renovation project is at the stage where it meets applicable health and safety codes and is ready for commercial or residential occupancy. (Dictionary)

Common Area Maintenance (CAM)

The expense of operating and maintaining common areas; may or may not include management charges and usually does not include capital expenditures on tenant improvements or other improvements to the property. (Dictionary)

The amount of money charged to tenants for their shares of maintaining a [shopping] center's common area. The charge that a tenant pays for shared services and facilities such as electricity, security, and maintenance of parking lots. Items charged to common area maintenance may include cleaning services, parking lot sweeping and maintenance, snow removal, security and upkeep. (ICSC – International Council of Shopping Centers, 4th Ed.)

Condominium

A multiunit structure, or a unit within such a structure, with a condominium form of ownership. (Dictionary)

Conservation Easement

An interest in real estate restricting future land use to preservation, conservation, wildlife habitat, or some combination of those uses. A

conservation easement may permit farming, timber harvesting, or other uses of a rural nature as well as some types of conservation-oriented development to continue, subject to the easement. (Dictionary)

Contributory Value

A type of value that reflects the amount a property or component of a property contributes to the value of another asset or to the property as a whole.

The change in the value of a property as a whole, whether positive or negative, resulting from the addition or deletion of a property component. Also called deprival value in some countries. (Dictionary)

Debt Coverage Ratio (DCR)

The ratio of net operating income to annual debt service ($DCR = NOI/Im$), which measures the relative ability of a property to meet its debt service out of net operating income; also called *debt service coverage ratio (DSCR)*. A larger *DCR* typically indicates a greater ability for a property to withstand a reduction of income, providing an improved safety margin for a lender. (Dictionary)

Deed Restriction

A provision written into a deed that limits the use of land. Deed restrictions usually remain in effect when title passes to subsequent owners. (Dictionary)

Depreciation

In appraisal, a loss in property value from any cause; the difference between the cost of an improvement on the effective date of the appraisal and the market value of the improvement on the same date.

In accounting, an allocation of the original cost of an asset, amortizing the cost over the asset's life; calculated using a variety of standard techniques. (Dictionary)

Disposition Value

The most probable price that a specified interest in property should bring under the following conditions:

- Consummation of a sale within a specified time, which is shorter than the typical exposure time for such a property in that market.
- The property is subjected to market conditions prevailing as of the date of valuation;
- Both the buyer and seller are acting prudently and knowledgeably;
- The seller is under compulsion to sell;
- The buyer is typically motivated;
- Both parties are acting in what they consider to be their best interests;
- An adequate marketing effort will be made during the exposure time;
- Payment will be made in cash in U.S. dollars (or the local currency) or in terms of financial arrangements comparable thereto; and

The price represents the normal consideration for the property sold, unaffected by special or creative financing or sales concessions granted by anyone associated with the sale. (Dictionary)

Easement

The right to use another's land for a stated purpose. (Dictionary)

EIFS

Exterior Insulation Finishing System. This is a type of exterior wall cladding system. Sometimes referred to as dry-vit.

Effective Date

The date on which the appraisal or review opinion applies. (SVP)

In a lease document, the date upon which the lease goes into effect. (Dictionary)

Effective Gross Income (EGI)

The anticipated income from all operations of the real estate after an allowance is made for vacancy and collection losses and an addition is made for any other income. (Dictionary)



Effective Rent

Total base rent, or minimum rent stipulated in a lease, over the specified lease term minus rent concessions; the rent that is effectively paid by a tenant net of financial concessions provided by a landlord. (TIs). (Dictionary)

EPDM

Ethylene Propylene Diene Monomer Rubber. A type of synthetic rubber typically used for roof coverings. (Dictionary)

Escalation Clause

A clause in an agreement that provides for the adjustment of a price or rent based on some event or index. e.g., a provision to increase rent if operating expenses increase; also called *escalator clause*, *expense recovery clause* or *stop clause*. (Dictionary)

Estoppel Certificate

A signed statement by a party (such as a tenant or a mortgagee) certifying, for another's benefit, that certain facts are correct, such as that a lease exists, that there are no defaults, and that rent is paid to a certain date. (Black's) In real estate, a buyer of rental property typically requests estoppel certificates from existing tenants. Sometimes referred to as an *estoppel letter*. (Dictionary)

Excess Land

Land that is not needed to serve or support the existing use. The highest and best use of the excess land may or may not be the same as the highest and best use of the improved parcel. Excess land has the potential to be sold separately and is valued separately. (Dictionary)

Excess Rent

The amount by which contract rent exceeds market rent at the time of the appraisal; created by a lease favorable to the landlord (lessor) and may reflect unusual management, unknowledgeable or unusually motivated parties, a lease execution in an earlier, stronger rental market, or an agreement of the parties. (Dictionary)

Expense Stop

A clause in a lease that limits the landlord's expense obligation, which results in the lessee paying operating expenses above a stated level or amount. (Dictionary)

Exposure Time

The time a property remains on the market. The estimated length of time that the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal;
Comment: Exposure time is a retrospective opinion based on an analysis of past events assuming a competitive and open market. (Dictionary)

Extraordinary Assumption

An assignment-specific assumption as of the effective date regarding uncertain information used in an analysis which, if found to be false, could alter the appraiser's opinions or conclusions.

Comment: Uncertain information might include physical, legal, or economic characteristics of the subject property; or conditions external to the property, such as market conditions or trends; or the integrity of data used in an analysis. (USPAP)

Fee Simple Estate

Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat. (Dictionary)

Floor Common Area

In an office building, the areas on a floor such as washrooms, janitorial closets, electrical rooms, telephone rooms, mechanical rooms, elevator lobbies, and public corridors which are available primarily for the use of tenants on that floor. (BOMA)

Full Service (Gross) Lease

A lease in which the landlord receives stipulated rent and is obligated to pay all of the property's

operating and fixed expenses; also called a *full service lease*. (Dictionary)

Furniture, Fixtures, and Equipment (FF&E)

Business trade fixtures and personal property, exclusive of inventory. (Dictionary)

Going-Concern Value

An outdated label for the market value of all the tangible and intangible assets of an established and operating business with an indefinite life, as if sold in aggregate; more accurately termed the *market value of the going concern* or *market value of the total assets of the business*. (Dictionary)

Gross Building Area (GBA)

Total floor area of a building, excluding unenclosed areas, measured from the exterior of the walls of the above-grade area. This includes mezzanines and basements if and when typically included in the market area of the type of property involved.

Gross leasable area plus all common areas.

For residential space, the total area of all floor levels measured from the exterior of the walls and including the superstructure and substructure basement; typically does not include garage space. (Dictionary)

Gross Measured Area

The total area of a building enclosed by the dominant portion (the portion of the inside finished surface of the permanent outer building wall which is 50 percent or more of the vertical floor-to-ceiling dimension, at the given point being measured as one moves horizontally along the wall), excluding parking areas and loading docks (or portions of same) outside the building line. It is generally not used for leasing purposes and is calculated on a floor by floor basis. (BOMA)

Gross Up Method

A method of calculating variable operating expenses in income-producing properties when less than 100% occupancy is assumed. Expenses reimbursed based on the amount of occupied space, rather than on the total building area, are described as "grossed up." (Dictionary)

Gross Retail Sellout

The sum of the separate and distinct market value opinions for each of the units in a condominium, subdivision development, or portfolio of properties, as of the date of valuation. The aggregate of retail values does not represent the value of all the units as though sold together in a single transaction; it is simply the total of the individual market value conclusions. Also called the *aggregate of the retail values*, *aggregate retail selling price* or *sum of the retail values*. (Dictionary)

Ground Lease

A lease that grants the right to use and occupy land. Improvements made by the ground lessee typically revert to the ground lessor at the end of the lease term. (Dictionary)

Ground Rent

The rent paid for the right to use and occupy land according to the terms of a ground lease; the portion of the total rent allocated to the underlying land. (Dictionary)

HVAC

Heating, ventilation, air conditioning (HVAC) system. A unit that regulates the temperature and distribution of heat and fresh air throughout a building. (Dictionary)

Highest and Best Use

The reasonably probable use of property that results in the highest value. The four criteria that the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum productivity.

The use of an asset that maximizes its potential and that is possible, legally permissible, and financially feasible. The highest and best use may be for continuation of an asset's existing use or for some alternative use. This is determined by the use that a market participant would have in mind for the asset when formulating the price that it would be willing to bid. (IVS)

[The] highest and most profitable use for which the property is adaptable and needed or likely to be needed in the reasonably near future.

(Uniform Appraisal Standards for Federal Land Acquisitions) (Dictionary)

Hypothetical Condition

A condition, directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the assignment results, but is used for the purpose of analysis.

Comment: Hypothetical conditions are contrary to known facts about physical, legal, or economic characteristics of the subject property; or about conditions external to the property, such as market conditions or trends; or about the integrity of data used in an analysis. (USPAP)

Industrial Gross Lease

A type of modified gross lease of an industrial property in which the landlord and tenant share expenses. The landlord receives stipulated rent and is obligated to pay certain operating expenses, often structural maintenance, insurance and real property taxes, as specified in the lease. There are significant regional and local differences in the use of this term. (Dictionary)

Insurable Value

A type of value for insurance purposes. (Typically this includes replacement cost less basement excavation, foundation, underground piping and architect's fees). (Dictionary)

Investment Value

The value of a property to a particular investor or class of investors based on the investor's specific requirements. Investment value may be different from market value because it depends on a set of investment criteria that are not necessarily typical of the market. (Dictionary)

Just Compensation

In condemnation, the amount of loss for which a property owner is compensated when his or her property is taken. Just compensation should put the owner in as good a position pecuniarily as he or she would have been if the property had not been taken. (Dictionary)

Leased Fee Interest

The ownership interest held by the lessor, which includes the right to receive the contract rent specified in the lease plus the reversionary right when the lease expires. (Dictionary)

Leasehold Interest

The right held by the lessee to use and occupy real estate for a stated term and under the conditions specified in the lease. (Dictionary)

Lessee (Tenant)

One who has the right to occupancy and use of the property of another for a period of time according to a lease agreement. (Dictionary)

Lessor (Landlord)

One who conveys the rights of occupancy and use to others under a lease agreement. (Dictionary)

Liquidation Value

The most probable price that a specified interest in property should bring under the following conditions:

- Consummation of a sale within a short time period.
- The property is subjected to market conditions prevailing as of the date of valuation.
- Both the buyer and seller are acting prudently and knowledgeably.
- The seller is under extreme compulsion to sell.
- The buyer is typically motivated.
- Both parties are acting in what they consider to be their best interests.
- A normal marketing effort is not possible due to the brief exposure time.
- Payment will be made in cash in U.S. dollars (or the local currency) or in terms of financial arrangements comparable thereto.

The price represents the normal consideration for the property sold, unaffected by special or



creative financing or sales concessions granted by anyone associated with the sale. (Dictionary)

Loan to Value Ratio (LTV)

The ratio between a mortgage loan and the value of the property pledged as security, usually expressed as a percentage. (Dictionary)

Major Vertical Penetrations

Stairs, elevator shafts, flues, pipe shafts, vertical ducts, and the like, and their enclosing walls. Atria, lightwells and similar penetrations above the finished floor are included in this definition. Not included, however, are vertical penetrations built for the private use of a tenant occupying office areas on more than one floor. Structural columns, openings for vertical electric cable or telephone distribution, and openings for plumbing lines are not considered to be major vertical penetrations. (BOMA)

Market Rent

The most probable rent that a property should bring in a competitive and open market reflecting the conditions and restrictions of a specified lease agreement, including the rental adjustment and revaluation, permitted uses, use restrictions, expense obligations; term, concessions, renewal and purchase options and tenant improvements (TIs). (Dictionary)

Market Value

The most probable price that a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

- Buyer and seller are typically motivated;
- Both parties are well informed or well advised, and acting in what they consider their own best interests;
- A reasonable time is allowed for exposure in the open market;

- Payment is made in terms of cash in United States dollars or in terms of financial arrangements comparable thereto; and

The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale. (Dictionary)

Marketing Time

An opinion of the amount of time it might take to sell a real or personal property interest at the concluded market value level during the period immediately after the effective date of an appraisal. Marketing time differs from exposure time, which is always presumed to precede the effective date of an appraisal. (Advisory Opinion 7 of the Appraisal Standards Board of the Appraisal Foundation)

Master Lease

A lease in which the fee owner leases a part or the entire property to a single entity (the master lease) in return for a stipulated rent. The master lessee then leases the property to multiple tenants. (Dictionary)

Modified Gross Lease

A lease in which the landlord receives stipulated rent and is obligated to pay some, but not all, of the property's operating and fixed expenses. Since assignment of expenses varies among modified gross leases, expense responsibility must always be specified. In some markets, a modified gross lease may be called a *double net lease*, *net net lease*, *partial net lease*, or *semi-gross lease*. (Dictionary)

Operating Expense Ratio

The ratio of total operating expenses to effective gross income (TOE/EGI); the complement of the net income ratio, i.e., $OER = 1 - NIR$ (Dictionary)

Option

A legal contract, typically purchased for a stated consideration, that permits but does not require the holder of the option (known as the *optionee*) to buy, sell, or lease real estate for a stipulated period of time in accordance with specified terms; a unilateral right to exercise a privilege. (Dictionary)

Partial Interest

Divided or undivided rights in real estate that represent less than the whole, i.e., a fractional interest such as a tenancy in common, easement, or life interest. (Dictionary)

Pass Through

A tenant's portion of operating expenses that may be composed of common area maintenance (CAM), real property taxes, property insurance, and any other expenses determined in the lease agreement to be paid by the tenant. (Dictionary)

Potential Gross Income (PGI)

The total income attributable to property at full occupancy before vacancy and operating expenses are deducted. (Dictionary)

Prospective Future Value Upon Completion

A prospective market value may be appropriate for the valuation of a property interest related to a credit decision for a proposed development or renovation project. According to USPAP, an appraisal with a prospective market value reflects an effective date that is subsequent to the date of the appraisal report. ... The prospective market value –as completed- reflects the property's market value as of the time that development is expected to be complete. (Dictionary)

Prospective Future Value Upon Stabilization

A prospective market value may be appropriate for the valuation of a property interest related to a credit decision for a proposed development or renovation project. According to USPAP, an appraisal with a prospective market value reflects an effective date that is subsequent to the date of the appraisal report ...The prospective market value – as stabilized – reflects the property's market value as of the time the property is projected to achieve stabilized occupancy. For an income-producing property, stabilized occupancy is the occupancy level that a property is expected to achieve after the property is exposed to the market for lease over a reasonable period of time and at comparable terms and conditions to other similar properties. (Dictionary)

Replacement Cost

The estimated cost to construct, at current prices as of a specific date, a substitute for a building or other improvements, using modern materials and current standards, design, and layout. (Dictionary)

Reproduction Cost

The estimated cost to construct, at current prices as of the effective date of the appraisal, an exact duplicate or replica of the building being appraised, using the same materials, construction standards, design, layout, and quality of workmanship and embodying all of the deficiencies, superadequacies, and obsolescence of the subject building. (Dictionary)

Retrospective Value Opinion

A value opinion effective as of a specified historical date. The term *retrospective* does not define a type of value. Instead, it identifies a value opinion as being effective at some specific prior date. Value as of a historical date is frequently sought in connection with property tax appeals, damage models, lease renegotiation, deficiency judgments, estate tax, and condemnation. Inclusion of the type of value with this term is appropriate, e.g., "retrospective market value opinion." (Dictionary)

Sandwich Leasehold Estate

The interest held by the sandwich leaseholder when the property is subleased to another party; a type of leasehold estate. (Dictionary)

Sublease

An agreement in which the lessee in a prior lease conveys the right of use and occupancy of a property to another, the sublessee, for a specific period of time, which may or may not be coterminous with the underlying lease term. (Dictionary)

Subordination

A contractual arrangement in which a party with a claim to certain assets agrees to make his or her claim junior, or subordinate, to the claims of another party. (Dictionary)

Surplus Land

Land that is not currently needed to support the existing use but cannot be separated from the property and sold off for another use. Surplus land does not have an independent highest and best use and may or may not contribute value to the improved parcel. (Dictionary)

TPO

Thermoplastic polyolefin, a resilient synthetic roof covering.

Triple Net (Net Net Net) Lease

An alternative term for a type of net lease. In some markets, a net net net lease is defined as a lease in which the tenant assumes all expenses (fixed and variable) of operating a property except that the landlord is responsible for structural maintenance, building reserves, and management; also called *NNN lease*, *net net net lease*, or *fully net lease*. (Dictionary)

(The market definition of a triple net lease varies; in some cases tenants pay for items such as roof repairs, parking lot repairs, and other similar items.)

Usable Area

The measured area of an office area, store area, or building common area on a floor. The total of all the usable areas for a floor shall equal floor usable area of that same floor. (BOMA)

Value-in-Use

The value of a property assuming a specific use, which may or may not be the property's highest and best use on the effective date of the appraisal. Value in use may or may not be equal to market value but is different conceptually. (Dictionary)

VTAB

Value of the Total Assets of a Business. The value of a going concern (i.e. the business enterprise). (Dictionary)



Qualifications



Qualifications of Maria Aji, PhD Senior Appraiser

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The Property Sciences Group, Inc. (1998-2001)
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Research Associate

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Appraisal/valuation and consulting assignments include: professional/ medical offices, shopping centers, mixed-use projects, gas stations, oil-changing facilities, vacant land, single family homes, apartments, condominiums, vacant land, light industrial, manufacturing, and research and development buildings, condominiums, warehouses, industrial parks, mini-storage facilities, vacant land, and special purpose properties.



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Appraisal Institute & Related Courses

Continuing education courses taken through the Appraisal Institute and other real estate organizations.

Experience

Senior Managing Director

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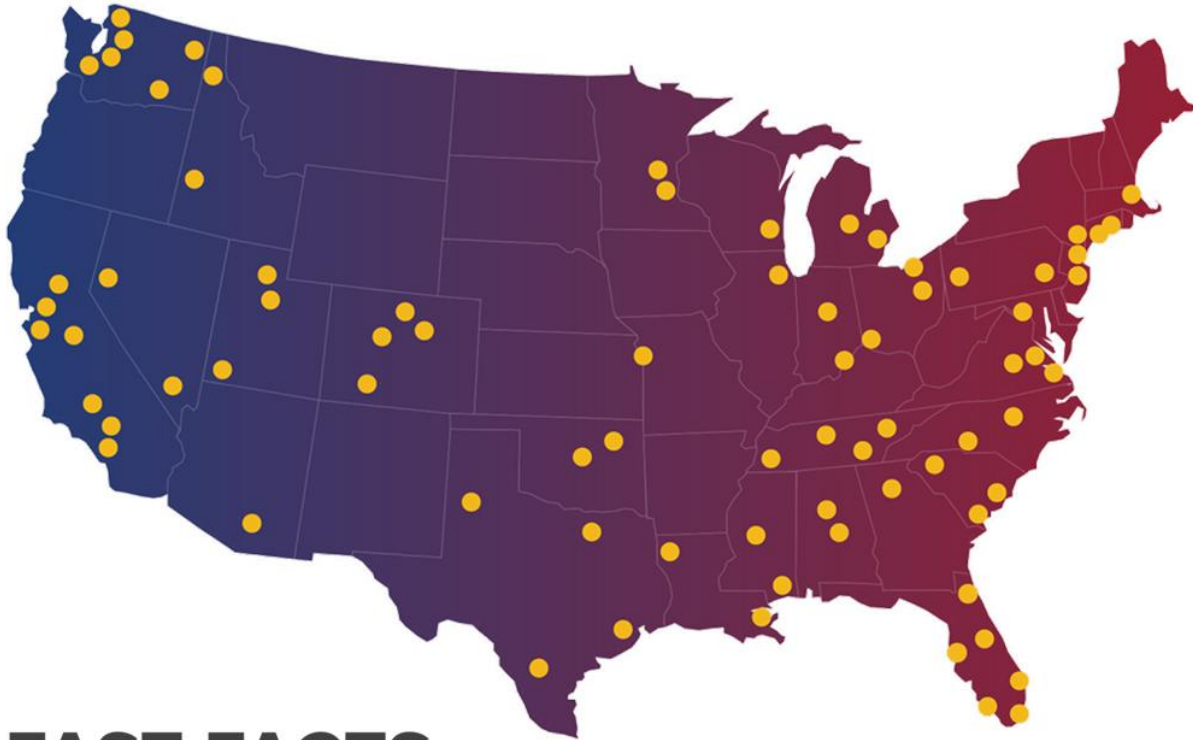
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Mr. Hulberg has provided valuation services in a wide variety of complex civil litigation including real estate, land use cases, condemnation, estate matters, property taxation, contract disputes, partnership and corporate disputes, environmental lawsuits, professional negligence cases, construction defect, and bankruptcy/creditors matters.

Qualified as an expert witness in most counties in the San Francisco and Monterey Bay and Central Valley areas, as well as and in the U.S. Tax Court in the U.S. District Courts in San Jose, San Francisco, Oakland, and Las Vegas. He is a highly experienced forensic appraiser, having provided testimony on over 300 occasions. This includes over 100 jury trials in state and federal courts in addition to numerous court trials. He has also testified in major arbitrations and before state and federal courts, as well as private arbitrations.



FAST FACTS

COMPANY INFORMATION

- Valbridge is the largest independent national commercial real estate valuation and advisory services firm in North America.
 - Total number of MAI-designated appraisers: 200+ on staff
 - Total number of office locations: 70+ across U.S.
 - Total number of staff: 675+ strong
- Valbridge covers the entire U.S. from coast to coast.
- Valbridge services all property types, including special-purpose properties.
- Valbridge provides independent valuation services. We are not owned by a brokerage firm or investment company.
- Every Valbridge office is led by a senior managing director who holds the MAI designation of the Appraisal Institute.
- Valbridge is owned by our local office leaders.
- Valbridge welcomes single-property assignments as well as portfolio, multi-market and other bulk-property engagements.



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